

veterinary economics

NOVEMBER 1988

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THE MAGAZINE OF PRACTICE MANAGEMENT AND FINANCE

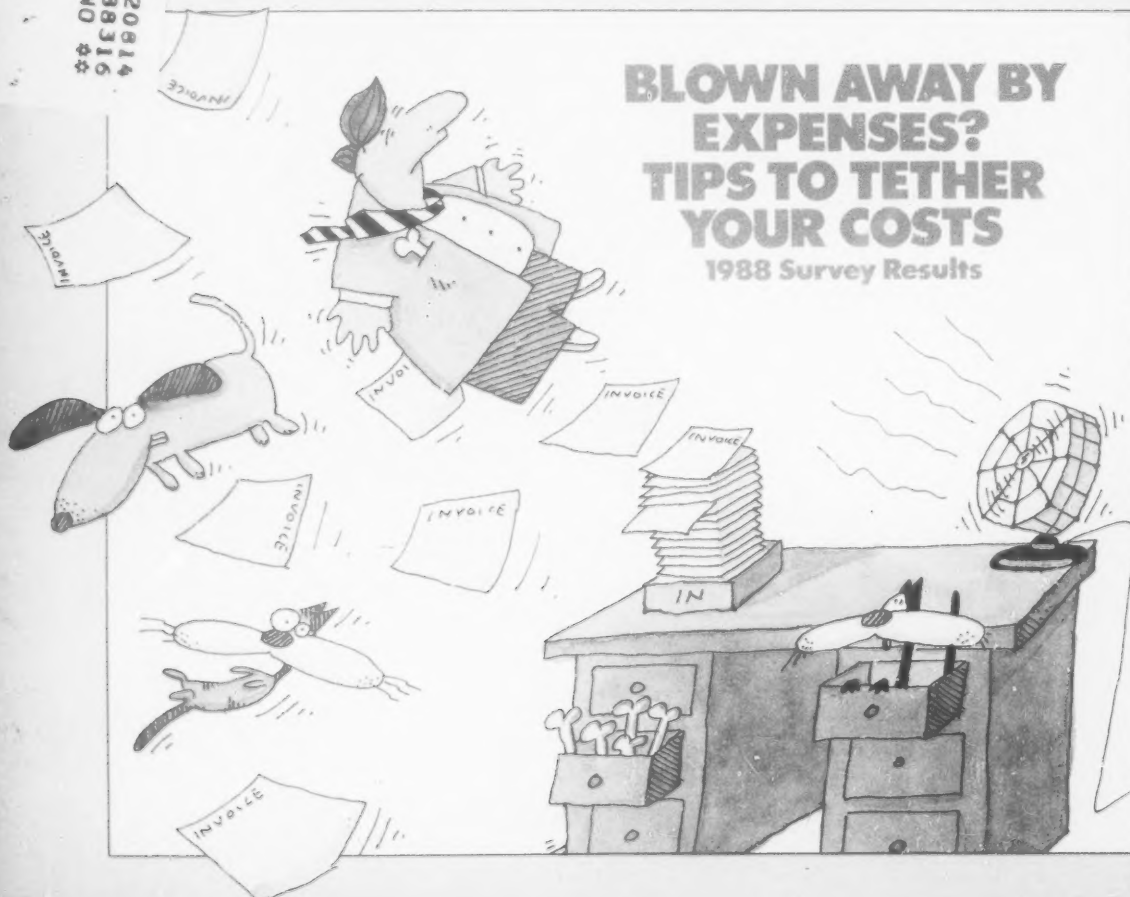
AN ASSOCIATE DVM NEGOTIATES A BUY-IN

FIVE THINGS THAT DRIVE AWAY GOOD EMPLOYEES

WILL YOU LOSE CLIENTS IF YOU RAISE YOUR FEES?

BLOWN AWAY BY EXPENSES? TIPS TO TETHER YOUR COSTS

1988 Survey Results



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NOVEMBER 1988

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veterinary economics

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MEMO FROM THE EDITOR

All clinics great and small

Every fall, we sneak in an ad about our Hospital of the Year competition and hope you'll notice. (It's on page 43 this time.) Many of you do notice, and from your entries we select the winning hospitals featured in the magazine nearly every month.

The competition judging is rigorous and is based on the collective experience of two veterinarians and two architects. They look at traffic flow, floor plan, and overall design: How well does each hospital function for the doctors, patients, and clients it serves? But despite the thorough appraisal, there seems to be a nagging belief among many of you that the only things the judges *really* look at are size and money.

We've probably created—and certainly perpetuated—this problem ourselves. Our award-winners are spectacular hospitals, often with spectacular price tags. But among the reasons these hospitals float to the top in our competition is that those of you building spectacular *smaller* hospitals don't let us know you're out there. (Last year, Drs. Dean E. Small and James M. Humphrey, who spent \$85,000 making leasehold improvements to create their 1,400-square-foot hospital, *did* let us know they were out there—and they were honored for their efforts with a Merit Award. See the July 1988 issue.)

I think our judges would be delighted to see the high standards they set played out in smaller spaces with smaller budgets. Such feats are obviously as difficult as containing costs in a larger hospital; your entries would heighten the competition and perhaps set new standards for our judges—and for the veterinary profession.

You *all* are invited to enter the hospitals you've built, made leasehold improvements to, or renovated in 1987 or 1988. They don't have to be great big—just great.

Becky Turner

Rebecca R. Turner



BLOWN AWAY BY EXPENSES? TIPS TO TETHER YOUR COSTS

1988 Survey Results

These consultants say that your major expenses—compensation, drugs, and medical supplies—can be managed cost-effectively.

By Catherine Lumetta ASSOCIATE EDITOR

No matter what the tax scenario is, veterinarians are going to incur expenses," says William Roll, CPA, contributing financial editor to *VETERINARY ECONOMICS*.

While no business has trouble racking up accounts payable, the business of tracking your costs

can be tricky. But monitoring expenses is essential to controlling them. On the pages that follow, you'll find a breakdown of veterinarians' 1987 expenses, gleaned from responses to our 1988 Continuing Survey.

You will also find commentary on the results from key members

of our editorial board. They have provided both an analysis of the 1987 figures and hands-on suggestions to help you control your expenses in the future. It's important, they say, to concentrate on income. But, they add, such major expenses as compensation, drugs, and medical supplies can also be managed cost-effectively.



Review fringe benefits

"The advantage to being incorporated used to be big, especially in the fringe benefit area," Roll says. "Now there is virtually no tax advantage to being incorporated."

But fringe benefits may still be an expense to consider, says contributing financial editor Owen McCafferty, CPA. McCafferty says that the total salaries and wages for non-veterinarian assistants usually falls between 14 and 18 percent of *practice* gross, depending on the amount of diagnostic work performed. The total salaries and wages for employed veterinarians, he says, should account for 18 to 24 percent of *practice* gross. (See the chart on page

32.) Fringe benefits could then add up to 33 percent more, depending on what you offer.

As a result of Section 89 of the Internal Revenue Code of 1986, which is scheduled to kick in Jan. 1, 1989, "all practices should review with their accountants the total packages offered to employees," McCafferty says. The code requires nondiscriminatory payment of benefits across the board. "Many companies are considering amending or eliminating benefits as a result of this change."

For now, McCafferty advises that you review the mix of benefits you offer and consider alternatives; for instance, unreimbursed medical expenses *vs.* medical insurance. One option, he says, is to totally eliminate fringe benefits and adjust salary.

"This way, your salary costs would be totally controllable. Medical insurance is an uncontrollable cost," he says. "Or you could switch to a participatory plan, whereby the employee would pay a portion. The medical benefit issue is going to be costly."

McCafferty also stresses that owner veterinarians assess the impact of fringe benefits in their practices. "Really examine who gets the benefit," he says. "Many practices employ persons who have dual income providers in the family unit. The spouse who isn't employed in the practice may have better coverage than you provide, and your employee will choose to use that plan."

Aside from salary, the other expense you should concentrate on,

McCafferty says, is the cost of drugs. (See the chart on page 33.) Drugs and medical supplies usually chip off 16 to 18 percent of gross in a small animal practice, he says. "The 19.2 percent for small animals in this year's results seems high," McCafferty remarks. "If you did a *lot* of merchandising, 19 percent would make sense. But even with a normal amount of merchandising, that 19 percent is still too high."

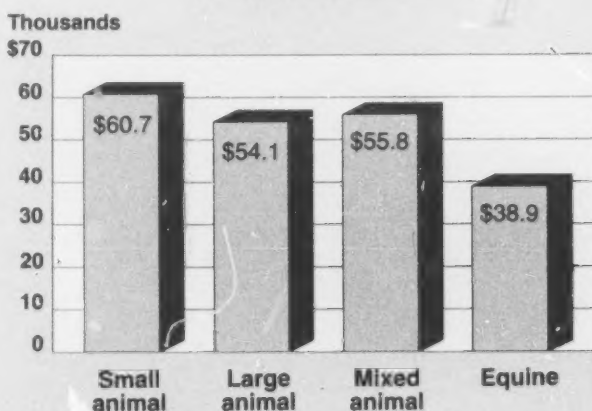
McCafferty cautions that merchandising must be done in the "right entity, where a client will be writing a separate check from the check for services. There's a

fine line where consumer resistance will no longer tolerate a bill, regardless if the mix is 90 percent product and 10 percent service."

"If you want to get into vending, really gear up for it," he says. "Get into a separate facility. Profit margin in a 100-percent markup is only 50 percent."

McCafferty also says the survey's high numbers in the drugs and medical supplies category may be due to expensing unused inventory to decrease tax liabilities. "We're trying to keep tax liabilities down improperly," he says. "The right thing to do is to capitalize inventory—take a

TOTAL INDIVIDUAL 1987 EXPENSES BY PRACTICE TYPE



 Dollars per DVM

For those in a professional corporation, totals exclude shareholders' salaries and bonuses and retirement plan contributions credited to shareholders.
All figures are medians.

physical every year. Then you would have the ability to measure the true cost of drugs and professional supplies."

"I recommend using a computer to monitor the level of increases in purchasing. But I don't think a small animal practice needs to use the computer to maintain inven-

tory, because it's too costly," he says. "Only in practices where drugs are 35 percent of your income or more, such as in a large or mixed practice, should you pay more attention to drug inventory. I suggest using the Economic Order Quantity to figure the optimum number of units to purchase

at a time." (See the August 1988 issue of *VETERINARY ECONOMICS*, page 42.)

McCafferty says that office or hospital rent usually runs 6 to 8 percent of gross in small animal practices. Continuing education costs about 0.8 percent of gross, while depreciation on equipment currently runs between 1.5 to 3 percent. McCafferty says he's skeptical about the survey numbers for car upkeep and depreciation for small animal veterinarians: "This question is more significant and the numbers more reliable in large, mixed, and equine practices," he says.

In general, McCafferty says practitioners should closely review and monitor costs they can control: compensation, drugs, and medical supplies. "Don't worry about utilities and other uncontrollable costs," McCafferty concludes, "otherwise you'll become a nonproductive bean counter rather than a practitioner of veterinary medicine."

Little things can add up

"It's my experience that veterinarians are very astute at controlling expenses," says David Gallagher, a lecturer in practice management at the New York State College of Veterinary Medicine at Cornell. "It's important that you don't become so obsessed with curbing expenses that you compromise quality. That's a no-no. The real answer to more effective financial performance lies in all of those things one can do to improve income, like internal marketing

COMPARING SALARY EXPENDITURES

With more assistants per hospital, small animal veterinarians incur higher staff costs than other practitioners. Owen McCafferty, CPA, also points out that "the higher the gross per practitioner, the higher each practitioner's expense for non-DVM salaries will be. These practices will have more assistants doing tasks the doctor would do in a lower-grossing practice."

Keep in mind that the figures below include only each individual practitioner's share of the tax-deductible expenses of the group, partnership, or corporation.

☐ 1987 ☐ 1986

Salaries, bonuses, retirement for non-DVM assistants

	1987	1986
All DVMs	\$22,600	\$20,500
Small animal	26,900	24,700
Large animal	11,600	11,200
Mixed animal	14,800	15,400
Equine	15,600	11,700

Salaries, bonuses, retirement for employed DVMs

	1987	1986
All DVMs	\$23,900	\$22,200
Small animal	23,700	23,800
Large animal	26,900	21,200
Mixed animal	25,000	21,000
Equine	29,400	22,500

and proper fee structure. But that is not to say that you should ignore expenses."

Unlike McCafferty, Gallagher says he thinks the little things are worth monitoring, too. "It's amazing what you can do by just walking around your clinic and looking for such things as a leaky water faucet," he says. "You can lose literally \$100 per year from those drips. Also check the temperature setting on your hot-water heater."

Even such things as going to the bank every day can offset your service charges, he says. "On most checking accounts, your average daily balance offsets your service charges, so if you don't deposit every day, you're losing the advantage that money has if it were deposited sooner."

Gallagher also suggests that you scrutinize your Yellow Pages advertisement. "How much do you have to spend to be effective?" he asks. "In general, one inch of column space in a Yellow Pages ad should be as effective as two inches. Weed out useless information such as your hours of operation. People are going to call you anyway, and they'll ask. Include any specialties you have, and whether or not you take emergencies or make housecalls."

Of the Continuing Survey, Gallagher says that the increase in expenses in the drugs and medical supplies category suggests that veterinarians may be merchandising more effectively and aggressively:

"In a small animal practice with good inventory control, I'd

INDIVIDUAL DVM EXPENSES: A COMPARATIVE LOOK

☐ 1987 ☐ Percent
of gross ☐ 1986 ☐ Percent
of gross

Office or hospital mortgage or rent

	1987	Percent of gross	1986	Percent of gross
All DVMs	\$10,600	7.0%	\$10,500	7.3%
Small animal	12,300	7.8	12,400	8.9
Large animal	3,600	2.2	4,100	2.9
Mixed animal	5,400	5.7	5,200	4.9
Equine	5,100	4.7	5,100	4.0

Drugs and medical supplies¹

	1987	Percent of gross	1986	Percent of gross
All DVMs	\$32,700	21.9%	\$29,400	20.6%
Small animal	30,200	19.2	26,200	17.2
Large animal	52,500	34.4	46,500	32.0
Mixed animal	39,200	29.8	39,000	29.5
Equine	28,000	23.7	28,000	24.5

Malpractice insurance

	1987	Percent of gross	1986	Percent of gross
All DVMs	\$ 400	0.4%	\$ 400	0.4%
Small animal	400	0.4	300	0.3
Large animal	700	0.6	600	0.4
Mixed animal	600	0.5	600	0.7
Equine	1,700	1.5	1,500	1.2

Continuing education²

	1987	Percent of gross	1986	Percent of gross
All DVMs	\$ 800	0.8%	\$ 600	0.7%
Small animal	900	0.7	700	0.7
Large animal	700	0.7	600	0.6
Mixed animal	600	0.7	500	0.5
Equine	1,000	0.9	1,100	0.9

Depreciation on medical equipment

	1987	Percent of gross	1986	Percent of gross
All DVMs	\$3,400	2.4%	\$3,400	2.3%
Small animal	3,600	2.5	3,800	2.4
Large animal	2,200	1.5	1,600	1.2
Mixed animal	2,900	2.5	3,200	2.1
Equine	3,400	2.9	2,900	2.8

Professional car upkeep and depreciation

	1987	Percent of gross	1986	Percent of gross
All DVMs	\$3,400	2.6%	\$3,400	2.6%
Small animal	2,900	2.0	2,900	1.9
Large animal	5,300	4.7	5,700	4.5
Mixed animal	4,800	3.4	4,200	3.3
Equine	6,200	5.5	6,200	5.7

¹Includes nondepreciable small instruments.

All figures are medians.

²Includes registration fees, cost of materials and travel, meals, and lodging.

expect the percent of gross for drugs and medical supplies to be around 15 percent," he says. "In a large animal practice, the figure will be more.

"But there's a new phenomenon occurring in small animal practices: veterinarians are merchandising more product. And in most instances, they aren't creating a new category of expense to keep track of this merchandised product. They tend to dump it into drugs and medical supplies."

Gallagher says that veterinarians can better control these expenses if they separate the expenses for nonclinical supplies

from those for drugs and medical supplies. "It is better to separate these expenses," he says. "Doing so won't specifically help you control them, but it will allow you to see more clearly what you're spending for drugs and medical supplies. You can't realize the need to control expenses if you don't see the right picture."

Purchase drugs wisely

Harry James, DVM, another member of the VETERINARY ECONOMICS advisory board, thinks that the reported expenses for drugs and medical supplies indicate that *not enough* drugs are being dispensed.

"I am so amazed at these figures," the large animal veterinarian says. "That large animal veterinarians spent a median of \$52,500 is nothing! I imagine this figure includes merchandised products, and I just don't think they're doing enough."

"Unfortunately, it's absolutely necessary for large and mixed animal DVMs to dispense in order to make a contact with the clients that other merchandisers are taking away from them," he laments. "That contact may lead the client to call on you later for other services. For that reason, I'd like to see these numbers going up."

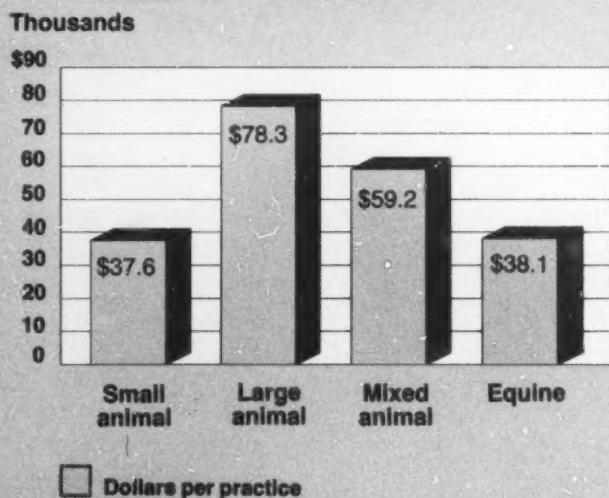
Dr. James says that it is important to buy only the amount of drugs you need, and to purchase more effectively. He suggests joining marketing groups, or going in on drug purchases with a neighboring colleague. "You can often get drugs and medical supplies at distributor prices," he says. "These types of cooperative efforts are going on everywhere."

Dr. James also expresses alarm at the small amount of money veterinarians are spending on continuing education. "People either are not going to these meetings, or they're not reporting them," he says. "It's very, very important to go to these meetings. That's probably the best money you'll spend. And it's foolish not to take the expense of going to them as deductions on your returns."

Use space efficiently

Merchandising not only brings more clients through your door, it

TOTAL PRACTICE EXPENDITURES: DRUGS/MEDICAL SUPPLIES BY PRACTICE SPECIALTY



All figures are medians.



"We need to be acutely aware of rising drug costs and raise pharmacy and inpatient medication fees accordingly."

can help you make more efficient use of your office space, says practice management consultant Ross Clark, DVM. "In our clinic, merchandising enables us to gross more dollars per square foot, thereby lowering our cost of rent as a percentage of gross," Dr. Clark explains.

He advises veterinarians who are thinking of expanding their clinics to be careful when investing in additional space. "Some people think if they have more space they can make more money.

But actually, they may not be utilizing the space they have now properly," he says.

Dr. Clark says to "do a cost analysis and see if, when you add space, you'll also add clients and/or more services that your current clients will use. Don't just add non-revenue-producing space like another lounge."

Merchandising efforts in his own clinic are proving to be more efficient than he anticipated, Dr. Clark says. "These merchandising areas serve as storage space as

well as marketing areas," he says. "Where these supplies used to be in the back room, now they're in the front room, available for clients to purchase them."

Dr. Clark recommends that you carefully weigh potential advantages and disadvantages of equipment purchases:

"For example, with the advent of new injectable anesthesia, you have the option to carefully weigh the additional cost of gas anesthesia as an up-front and ongoing expense," he says. "Because injectables are constantly improving, the need for a gas anesthesia machine may not be as great in your particular situation."

Dr. Clark also stresses that, in order to combat rising drug costs, veterinarians have to keep up with their fees. "Our costs may be increasing because the drug companies' costs are increasing, what with the escalating FDA involvement and the litigation going on," he says. "We need to be acutely aware of that and raise pharmacy and inpatient medication fees accordingly."

Dr. Clark also says that his practice management philosophy is to enhance revenue rather than control costs. "Don't get paralysis by analysis," he says. "In other words, don't be so concerned about how many paper towels you use or you may overlook more substantial opportunities."

"Of course you should pay attention to the large departments, like salary, drugs and supplies, and office rent. But as long as you keep these in line, and keep your revenue in line, you should be in good shape."

MEASURING INCOME vs. EXPENSES

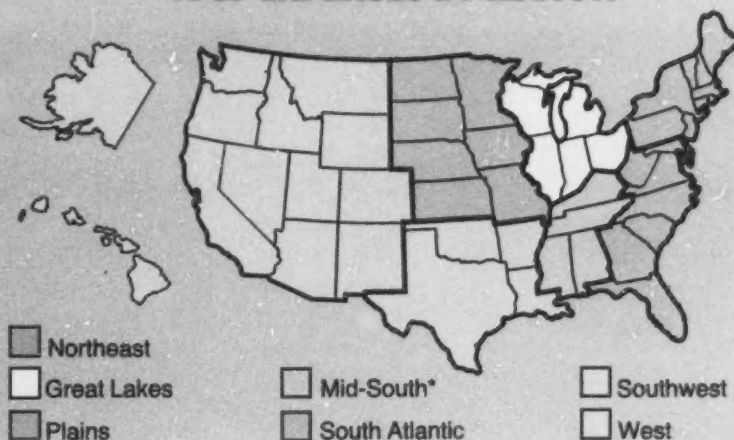
High earners keep expenses to a smaller percentage of gross.

1987 gross income	Median expenses	Percent of gross
\$ 50,000 - \$ 99,000	\$ 39,400	56.1%
100,000 - 149,000	70,800	60.5
150,000 - 199,000	99,600	58.5
200,000 or more	160,200	54.7

All figures are medians.

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1987 EXPENSES BY REGION



Salaries, bonuses, retirement for non-DVM assistants	1987	\$23,700	\$20,000	\$14,200	\$28,200	\$22,200	\$26,700
	Percent of gross	15.8%	14.3%	11.9%	15.3%	15.2%	16.3%
Salaries, bonuses, retirement for employed DVMs ¹	1987	\$25,000	\$26,200	\$24,000	\$30,800	\$26,000	\$19,600
	Percent of gross	11.0%	14.5%	14.6%	10.6%	12.5%	9.0%
Office or hospital mortgage or rent	1987	\$8,900	\$10,100	\$5,400	\$13,100	\$11,100	\$15,400
	Percent of gross	7.0%	6.1%	5.6%	7.4%	7.7%	7.9%
Drugs and medical supplies ²	1987	\$31,500	\$32,200	\$39,500	\$34,200	\$29,400	\$30,000
	Percent of gross	21.0%	22.9%	28.2%	19.6%	22.0%	20.1%
Continuing Education ³	1987	\$900	\$500	\$700	\$1,100	\$900	\$900
	Percent of gross	0.9%	0.6%	0.7%	0.9%	0.7%	0.8%
Depreciation on medical equipment	1987	\$2,500	\$2,700	\$3,400	\$5,000	\$3,300	\$4,300
	Percent of gross	1.8%	2.2%	2.0%	2.7%	2.6%	2.8%
Professional car upkeep and depreciation	1987	\$4,200	\$3,700	\$4,200	\$2,400	\$3,400	\$3,400
	Percent of gross	2.9%	2.8%	3.3%	1.7%	2.7%	2.5%

¹ Percentages of gross in compensation for employed DVMs category are based on each employer DVM's individual share of expense.

² Includes nondepreciable small instruments.

³ Includes registration fees, cost of materials and travel, meals, and lodging.

*Insufficient base for Mid-South figures.

All figures are medians.

WILL YOU LOSE CLIENTS IF YOU RAISE YOUR FEES?

These veterinarians work in boom *and* bust economies. But higher fees haven't cost them clients.

By Jingle Davis

Do higher fees mean fewer clients? More than 80 percent of the practitioners who responded to a recent VETERINARY ECONOMICS survey say they've raised their fees—some by as much as 30 percent—without losing any clients.

Take, for example, David Menard, DVM, who successfully raised his fees an average of 15 percent. Dr. Menard is the sole proprietor of the Northside Pet Hospital in Eau Claire, Wis., a city of about 55,000. Working with two non-DVM staff members in his 500-square-foot hospital, Dr. Menard, 33, sees an average of seven clients a day, with an average transaction of \$27. Nearly 90 percent of his practice, which annually grosses \$75,000, is devoted to small animals.

"I needed to increase my income," he says. "The practice wasn't growing as quickly as I wanted it to, and other competing practices had increased their fees. As long as the price pressure was up, I decided to keep it that way."

Dr. Menard says his primary

goal was fair compensation. "I wanted to get my prices more in line with what I felt my professional time was worth," he says.

When calculating how to raise his fees, Dr. Menard first considered his time and costs. "I sat down and figured out how long it took me to do procedures, especially surgeries, and what I felt was a proper return for my time," he says. "Then I figured in what my material costs were, and compared that with what I was presently charging." In practice situations where time was a major factor in performing certain tasks, prices went up the most, he says.

Dr. Menard didn't announce the fee changes, but he continued to itemize charges on his invoices. Did he lose clients as a result? "I don't know for sure, of course. I know some clients have changed clinics, but it was more a matter of convenience because another clinic was closer. So far, nobody's mentioned price. I haven't had a single complaint about the higher fees. Not one."

Dr. Menard credits the lack of complaints to the type of clients he has. "The clients I've gotten in the last year-and-a-half of my

business are not the kinds of clients who are going to be scared away by a fee increase," he says. "They come here because they like the way I do things, not because of what I charge. Certainly there is an upper limit to what they're willing to pay, but I don't think price is their main reason for coming."

"As long as clients feel they're getting a fair price and good service, good clients will not drop you," he continues. "I could probably get more patients with lower fees, but the clients attracted by discounts are not the ones we want to make up our clientele. And I've always been specific on invoices. People like to know what they're paying for," he says.

Charging the market

Pat Melese, DVM, of the Academy Animal Hospital in Solana Beach, Calif., says he and his colleagues raised their fees because they felt "it was about time to come up to market charge."

Dr. Melese, a 1986 graduate of the University of California, Davis, holds a master's degree in animal behavior and neurophysiology from UCD and operates a con-

THE AUTHOR, who writes for THE ATLANTA CONSTITUTION, is VETERINARY ECONOMICS' southeast correspondent.

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Circle No. 121 on Inquiry Card

See brief summary on page 69

Pitman-Moore Biologicals Have Passed The Test Of Time



Because They Pass The Test Of Time.

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Circle No. 116 on Inquiry Card

RAISING FEES

sulting business in animal behavior. At the Academy Animal Hospital, five practitioners and 15 employees see an average of 40 clients a day, with an average transaction of \$70. The hospital, in an upscale area, grosses about \$720,000 a year, Dr. Melese says.

When the hospital raised fees an average of 10 to 15 percent at the beginning of the summer, Dr. Melese says practitioners at the small animal hospital had specific goals in mind. "We wanted to meet the salary requirements of the lay staff and have a certain profit margin for the hospital," he says. "We felt we were undercharging in certain areas."

According to Dr. Melese, he and his associates had little fear of losing clients. "In this area, our fees are still competitive," he says. "It wasn't a uniform raising of fees. Those that were profitable, we maintained. Some that were less profitable, we raised."

Dr. Melese says they didn't an-

nounce the fee hike, although in retrospect he thinks they should have. "If we had it to do over again, I think we should have announced it and explained why we were doing it," he says. "It would be better than having clients

**"Fees have
to go up
because
of expenses."**

come in and find out about the higher fees for the first time when they receive their bills."

But justifying the increases isn't a problem, he says. "We explain that fees have to go up eventually because of increased expenses. Our fees had not been raised in two years, and it was time to do it. We've had some com-

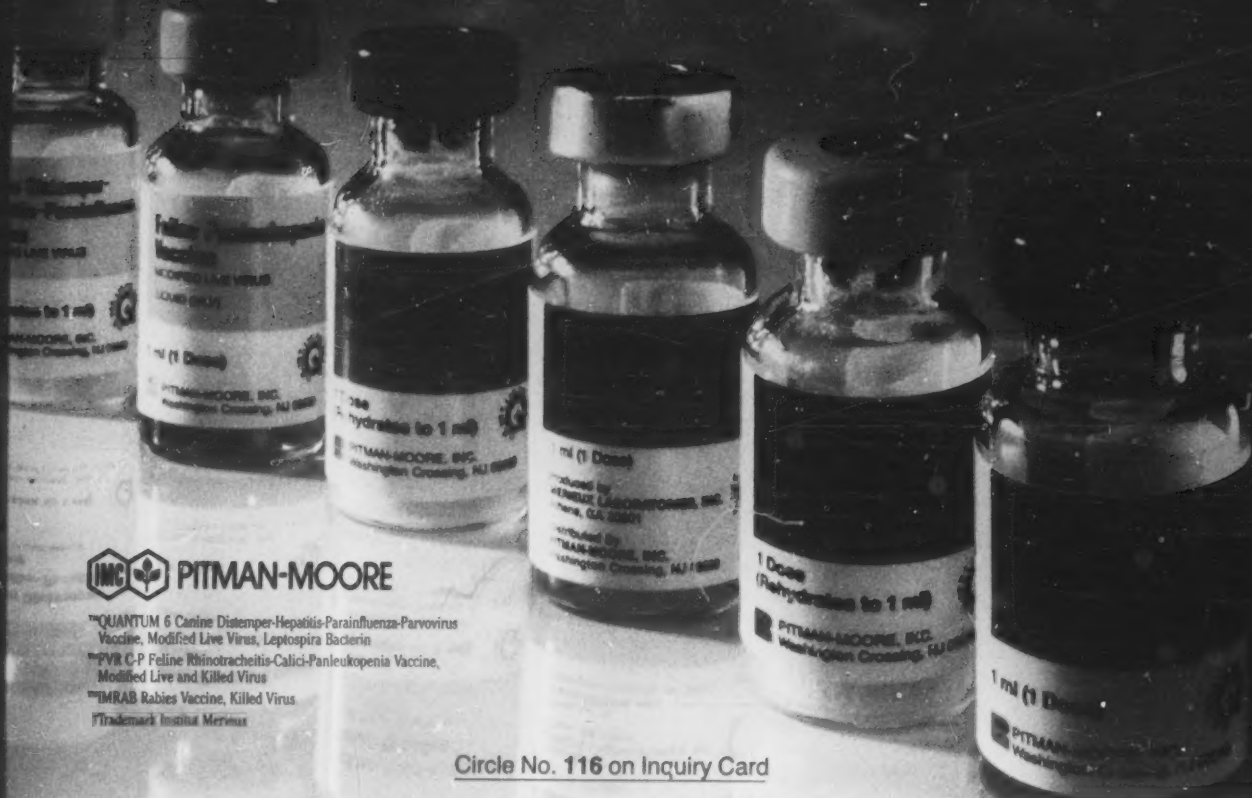
plaints from long-time clients who were surprised—but they understood when we explained."

Did any clients take their business elsewhere? "I really don't think we've lost any," Dr. Melese says. "We've been pretty busy since we raised fees the first of the summer. One of the things that worked out nicely is that our computer system holds a program that allows us to raise fees easily in smaller increments, so it's less shocking to clients," he says.

Fee hikes in a poor economy

A depressed farm and oil economy makes fee hikes particularly difficult for Jean R. Allbright, DVM, whose Heath Veterinary Hospital is in Billings, Mont. "We're in the old, original part of Billings, near low-income areas," Dr. Allbright, 38, says. "This is not a prosperous boom-town economy."

Dr. Allbright opened the 1,800-square-foot clinic two years ago, after spending 12 years in other



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private practices. She employs three staff people and a part-time practitioner. About 15 clients, with an average transaction of \$30 to \$34, visit the clinic daily. The annual gross is \$180,000.

Raising fees, she says, was a difficult, but necessary, decision. "I have a hard time with fees," she admits. "I spent the first eight years of my practice career in a hospital that routinely charged low fees. Although we received a good volume of business, I didn't get a very good preliminary education in charging clients for what things are worth."

Her personal background makes her sympathetic to others in her area, she says. "I grew up in a ranch situation, and I'll look at something and think, 'that's a lot of money for that procedure,' so I won't charge as much as I should."

But she hasn't lost clients with her higher fees. "I've had no complaints," she says. "I don't think people for the most part are even

aware I raised prices seven months ago."

To raise her fees, Dr. Allbright says she "just did what looked reasonable. I didn't want to take any quantum leaps." And she didn't make any announcements to her clients either. "I didn't and I wouldn't announce a change, especially if I raised fees for my office call. I now charge \$14, which is low to middle-of-the-road for the town of Billings."

Dr. Allbright says it would be hard for her to raise fees for office calls or vaccinations, which are a little more "visible" to price shoppers. "There hasn't been a change in my fee structure in the last two years," she says. "The fees I raised were ones that wouldn't be affected by telephone shoppers, such as laboratory fees, X-ray fees, and some surgery fees."

"I suppose the ultimate, underlying fear is losing clients," she admits. "But I also understand the situation of the economy, and

I'm doing OK the way my fees are now. Sometimes, I wonder if raising fees is the right thing to do, personally as well as professionally. If I were in a booming economy, I don't think it would bother me as much."

Helping clients understand

James G. Adams, DVM, says "we've probably had fewer complaints about fees now than we did before we raised them. I think it's important that you don't just raise prices one time and say you're doing great. You have to keep up with inflation. If you don't, you're losing ground."

Dr. Adams, whose buy-in story begins on page 40 of this issue, says that fees at the Carroll Veterinary Clinic in Hillsville, Va., increased 35 percent during the last year. "Phasing in the new fees helped. Our fees didn't double overnight, and we didn't raise all of our fees," he says.

Before raising fees, Dr. Adams

says he and his associates "took a look at how hard we were working and what we were taking home every year, compared to what some of the surveys indicated we ought to be making. We also compared our fees with what people pay for comparable services from

physicians and other professionals, and with the cost of living in our area. We decided we were providing a good service and were not charging enough for it."

Dr. Adams continues: "We just wanted to be better-compensated for what we were doing. We want-

ed to avoid ending up like so many other professionals: burned-out and overworked. They can't afford to hire an associate or take advantage of new techniques and equipment because the income just isn't there."

"When we were determining the percentage to raise each fee," Dr. Adams says, "we looked at the fee individually to be sure we kept our charges in line. For example, we didn't want a fecal check to cost more than a physical exam."

If a client complains about fees, Dr. Adams and his colleagues try to determine what is really bothering the client. "Many times, it's not the price, but the perception that there wasn't a service to go along with it," he says.

"If somebody complains simply because they think we're charging more than we should, we try to explain that an awful lot of people in our extended family depend on this practice for income. We also try to point out what a good value it is. We tell the client that if he had the same procedure done on himself, it might cost \$10,000."

Along with the fee increases, Dr. Adams says the clinic also instituted a policy of itemizing charges more completely. "We added different service categories, and we try to list and charge for everything now," he says. "Before, we might stain an eye or do ear mite swabs as a matter of course. Now, we've started charging for things we've always done but had never charged for before. People don't realize you do these things unless you charge for them." ■

THESE VETERINARIANS SAY CLIENTS WON'T FLEE

In a recent VETERINARY ECONOMICS survey, we asked 500 veterinarians nationwide if they've raised their fees in the last two years. More than 90 percent of the 138 respondents said "yes." And nearly 90 percent of those practitioners said they did not lose clients as a result. How would you answer these questions?

	Response	Percent of survey respondents
Have you raised your fees in the last two years?	Yes	90.6%
	No	9.4
If yes, by what percent?	1-5%	26.5
	6-10%	48.7
	11-20%	21.4
	21-25%	0.9
	26-30%	0.9
	More than 30%	1.7
If yes, did you lose clients as a direct result of raising your fees?	Yes	10.5
	No	89.5

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DECEMBER 1988

veterinary economics

THE MAGAZINE OF PRACTICE MANAGEMENT AND FINANCE

TAKE THE WINTER BY STORM:

How to turn
slow times
to your
advantage

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MEMO FROM THE EDITOR

Treating nobody's dog

I'm not sure why I end up in veterinary hospitals on Saturday nights, but between my cats and the farm animals, I seem to be a regular. On this particular occasion, I was visiting my family's farm, and the evening began with a horse injury. I asked my cousin to check out what looked like a cut on her horse's backside. When she came back from the barn, she said, "I think the horse is fine, but there's a stray dog down there that's in big trouble."

With flashlight in hand, we entered the barn, and out from behind some hay crept a little dog with a big gash in her neck. Her fur was matted with blood and she smelled terrible, but her tail was wagging and her nose was wet and cold. She followed us to the house, and I called the veterinarian. "I'll meet you at my office at 10," he said.

We bundled up the dog and drove to town in snow flurries that came up out of nowhere. By 10:05, Dr. Taylor, my friends, and I were huddled over a dog none of us had ever seen before. Dr. Taylor treated her, I fussed over her, and we all knew that she'd have to fend for herself once we went back to the city and she went back to the barn.

When I told Dr. Taylor I worked for VETERINARY ECONOMICS, he said, "Well, I don't think this is something we need to write about. The treatment I gave her is not what she'd get in the city—it's not what she'd get if she stayed in one place and one person could watch out for her. Since she is nobody's dog, I gave her what she'll need to get back on her own." I said we *should* write about this evening because Dr. Taylor was there to give nobody's dog just what she needed late one Saturday night.

I've just completed my first full year working with veterinarians. I am impressed with the professionalism and dedication I've seen and hope we've lived up to your expectations of the magazine. Your response to VETERINARY ECONOMICS has been strong, and with your continued guidance, the rest of the staff and I will make the magazine even stronger next year.

Happy New Year, Dr. Taylor.

Becky Turner

Rebecca R. Turner

narians are now providing personalized business cards for their full-time employees.

What are the benefits of this small investment

(usually about \$20 per person)? Increased worker loyalty and a new marketing arm for your practice: Staff-originated referrals open up a

new potential client base for your hospital.

●**The farm economy** is improving, with a 26-percent drop in farm debt (a nine-year low).

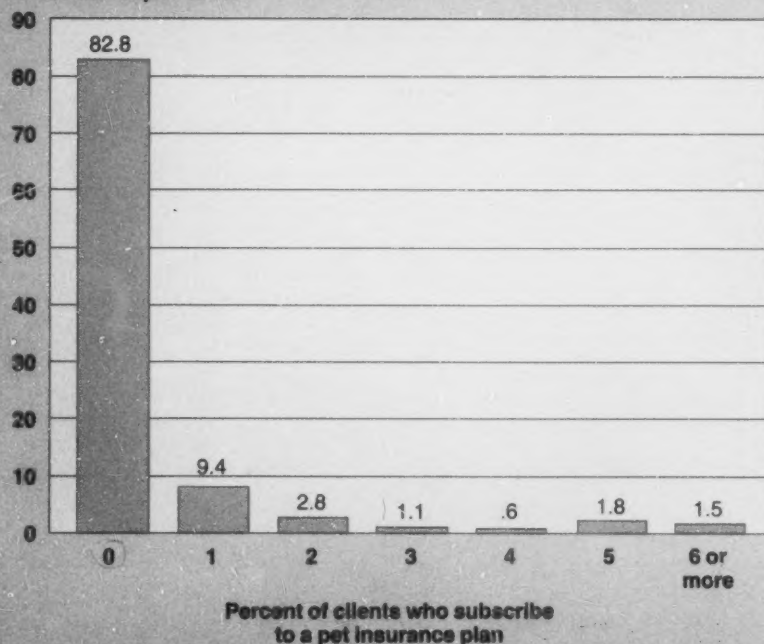
With farm production predicted to rise by as much as 25 percent next year, experts anticipate a resurgence in agricultural capital spending and a revival for suppliers. Says Alan Barkema, an economist with the Kansas City Federal Reserve Bank, "We simply have fewer financially vulnerable farmers than we had three years ago."

HOW MANY OF YOUR CLIENTS HAVE PET INSURANCE?

The numbers are small, according to the veterinarians who responded to the 1988 VETERINARY ECONOMICS Continuing Survey. Of the 545 small animal practitioners asked, "How many of your clients subscribe to a pet insurance plan," 451, or 82.8 percent, said "none."

For the 94 others who do have clients who subscribe, the percentages are small, as shown on the chart below. Revenues from third-party payments are small, too: Small animal veterinarians with clients who subscribe say 1.7 percent of their revenue comes from third-party payments.

Percent of respondents



TURN YOUR CLIENTS ON TO THE TUBE

Beginning in January, you and your clients can watch recent advances in veterinary medicine on "The Gentle Doctor," a 13-episode series cosponsored by AAHA, Nabisco Brands Inc., and Henry Schein Inc.

Each 30-minute PBS program offers obedience training tips; suggestions for dog and cat care; and information on such topics as animal dentistry, women veterinarians, emergency care, first aid, cancer research, and pet-owner bereavement.

During three of the episodes, viewers will be provided with AAHA's toll-free number for additional information. ■

WHERE DO YOU STAND WITH CE?

1988 Survey Results

All the signs show that continuing education is gaining steam across the nation. But do your clients know when and how you keep up-to-date?

By Catherine Lumetta ASSOCIATE EDITOR

Is continuing education (CE) mandatory for relicensure in your state? At this writing, 26 states have adopted mandatory CE—up from 18 states a decade ago. In four more states and the District of Columbia, mandatory CE will take effect by 1990. The average number of hours required per year is 12.5.

The 1988 VETERINARY ECONOMICS Continuing Survey asked, "How many CE credit hours did you receive in 1987?" Of the 737 practitioners who responded, 8.5 percent had not taken any CE in 1987. The 91.5 percent who did

take CE took a median of 22.5 hours last year. (See the chart below. All charts in this article refer only to veterinarians who received CE credit hours.)

According to Louis Phillips, EdD, the move toward mandatory continuing education for relicensure has continued to gain acceptance during the past two decades. Dr. Phillips, of Louis Phillips and Associates in Athens, Ga., has tracked CE for 15 years across 16 professions. His data reveal eight trends in continuing education:

1. Attendance is increasing at professional meetings offering

educational components.

2. More and better educational programs are now available.

3. Professionals are becoming increasingly interested in their professions. "By increasing the emphasis on CE, professions seem to be more respected by other professions," he says.

4. Professional journals are giving increased attention to educational matters.

5. Professionals can now assess their knowledge and skills vs. the norms of their profession.

6. Standards for educational programs are being developed to ensure better-quality programs.

7. Continuing education provides more appropriate alternatives to relicensure. "In other words," Dr. Phillips explains, "CE will be more important to relicensure, regardless of what process of reassessment is used."

8. Professionals are being forced out of isolation. "Continuing education forces you into a group learning environment, giving you a point of comparison with your peers and colleagues as to whether you're maintaining your knowledge, skills, and attitudes,"

WHO TOOK THE MOST CE IN 1987?

Practice type	Number of CE hours
All DVMs	22.5
Small animal	22.3
Large animal	20.9
Mixed animal	24.7
Equine	21.0

All figures are medians and exclude "nonres."

he says. "It brings you out of isolation and causes you to think on a different level. You're challenged because you come across cases that you don't ordinarily see."

Dr. Phillips says the problem with many CE programs is that they provide information that isn't related to the everyday problems professionals encounter in the workplace. "A person needs to feel good about himself in the workplace to be successful and competent," he remarks. "I contend that most professions have worked very hard and been successful in refining the profession through continuing education, but they haven't paid enough attention to the professional. We need to look at how to address individual needs."

"The sole practitioner needs help, guidance, and direction in personal development. Frequently, we think we know what the solution is when we really don't know what the problem is. And professionals get caught up in the middle and don't see the difference between what they really need *vs.* what's offered as CE."

"Most professions feel they need to provide more knowledge and skills, when these really aren't the topics most lacking in the workplace," he continues. "The problem is *implementing* that knowledge and skill. Continuing education should serve to help each individual practitioner rise up to self-enhancement and self-fulfillment. You strengthen the profession by bringing each individual up to a higher level." ►

THE MORE CE, THE MORE MONEY?

High earners took the most CE hours in 1987.

1987 Gross	Number of CE hours
Less than \$50,000	21.9
\$50,000-\$99,000	20.6
\$100,000-\$149,000	23.8
\$150,000-\$199,000	25.1
\$200,000 or more	30.1

All figures are medians and exclude "nones."

WHO GIVES ALL THIS CREDIT?

Survey respondents who took continuing education in 1987 received their credits from variety of sources. As you'll see in the chart below, state association meetings scored highest.

State association meetings	63.3%
Private seminars	41.2
National association meetings	33.8
University	32.4
Periodicals	20.4
VCR tapes	4.1
Other	18.5

EDUCATE CLIENTS ABOUT YOUR EDUCATION

"At every turn, you need to educate clients so that they will appreciate your training, expertise, scope of practice, and even your fees," says practice management consultant Bob Levoy. "Clients place importance on knowing the value they're getting for their money. And informing your clients about your continuing education is one vital way to enhance that perception of value."

Levoy says he's found that most people aren't aware that their veterinarians receive continuing education (CE) credits to keep up with changes in veterinary medicine. "According to our studies, many clients have no idea what CE their veterinarians take," says Levoy, of Professional Practice Consultants in Great Neck, N.Y.

"Sure you're up-to-date," Levoy continues. "But the question is, do your *clients* know it? One of the priorities that clients have in selecting a veterinarian is knowing that he or she is up-to-date." A client must feel confident that you—and all of your staff members—are qualified and well-trained.

The simplest way to convey this message, Levoy offers, is to post a notice on a bulletin board in the waiting room. "If you don't have a bulletin board, tape it to the wall; just put it out in the reception area," he says.

Levoy suggests using ordinary letterhead and simply saying, "We will be away from the hospital from time to time during the coming year to attend

postgraduate courses in veterinary medicine. Some of the courses we will be attending include. . ." Then list the courses and dates. Be sure to highlight courses that non-DVM staff are taking.

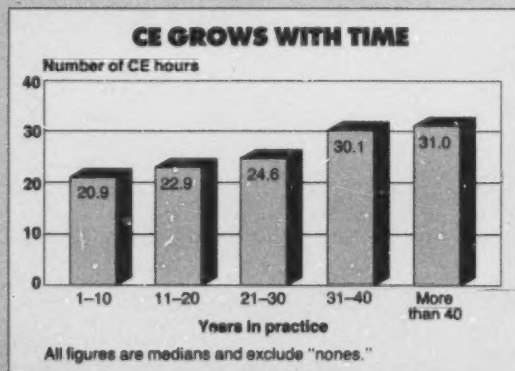
Levoy also recommends that you include a short description, in layman's terms, of each course. "You'll make people aware of your special interests and sophistication," he says. "For example, listing a course on feline endocrinology will let people know that you have an interest in cats and a sophisticated level of knowledge about these animals and their special problems. Including a description may also lead some clients to inquire about a service they didn't know you offered, say, nutrition or behavior counseling, or herd health management."

You could use the same technique in a newsletter, Levoy says. In January, list upcoming CE that you or your staff will attend during the coming year. Then in each month's newsletter, note any CE that will be attended that month, perhaps adding a more in-depth description of the course.

"Not everyone will read or comprehend the significance of this list," Levoy says. "But you'd be surprised at how many will be interested and impressed. Veterinary medicine is changing so fast these days, and clients know that—they are very savvy today."

Clients can be particularly wary of practitioners who have been out of school for a number of years. "The longer you've been out of school, the more possible it is for the public to erroneously assume that you are out-of-date, especially if they have no way of knowing that you're an active participant in CE courses," Levoy comments. "It's unfair, but that's the way people talk. As they say in the marketplace, 'perception is reality.'" (The graph on this page shows that older practitioners actually take *more* continuing education than younger DVMs.)

With continuing education, Levoy says, "Your clients will have a healthy respect for your skills, your experience, and your scope of practice. And most importantly, they will know that you and your staff are up-to-date in veterinary medicine." ■



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MEMO FROM THE EDITOR

Just when you thought it was safe . . .

Beginning in late July, our lives at VETERINARY ECONOMICS are dominated by a gigantic computer printout known to the world as the Continuing Survey. From August through December, we organize and assimilate the results, presenting them in the magazine to give you a unique opportunity to measure and compare your financial health with that of other practitioners nationwide.

Our part is nearly done now, which can mean only one thing: It's your turn. In the next few weeks, 6,000 of you—representing every practice type and every region of the country—will receive the 1989 survey, which asks you to share with us the 1988 financial facts about your practice. For those of you who have told us that the figures we print sometimes seem out of line with your experience, now is your chance. The more surveys that are returned, the more representative the accounting.

As enticement to fill out what is admittedly an imposing-looking form, we've sweetened the reward. Fifty of you will receive a book on diagnoses, and one of you will receive free registration and lodging at the Central Veterinary Conference next September. (For more information on the conference, see pages 70 and 71.) We'll even treat you to a gourmet dinner for two at a top Kansas City restaurant.

Now if all of this is not enticement enough, I offer one more plea: Fill out and return the survey for yourself *and* for your colleagues. You'll be contributing to a body of knowledge about your profession that challenges all of you to take a good hard look at the business side of your lives. Practice management will make more sense because you will know where you stand.

To help you determine where you stand right now, we begin 1989 with our annual financial planning guide on page 28. The numbers you uncover in your professional and personal portfolios can be the basis for improving your standing on all fronts.

Becky Turner

Rebecca R. Turner

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Veteran practitioners should encourage the best and the brightest to enter the profession.

vering tells you how in his new book, *A Great Place to Work: What Makes Some Employers So Good (and Most So Bad)* (Random House, 1988). Levering suggests that you:

- Recognize that great work places are defined more by relationships, feelings, and attitudes—and less by wages and working conditions.
- Work to establish a fundamental trust between employer and

employee. Satisfied workers know that management has their best interests in mind.

- Make your employees one of your top priorities.
- Explain and defend your decisions to employees, in public.
- Assume that your employees are partners, not hired hands.

For more ideas, look for Levering's book, and read Dr. Ross Clark's article on page 22 of this issue.

WE KNOW YOU'RE OUT THERE!

We at VETERINARY ECONOMICS make it our business to stay closely attuned to the problems, concerns, and opinions of practicing veterinarians. Many of you have responded to our surveys; others have been interviewed by our writers and editors. What about the rest of you? We want to know what you're thinking, too.

Does a VETERINARY ECONOMICS article remind you of your own experience? Take a stance you agree with? Make you mad as hell? Let us know. The Letters to the Editor column is your forum, and we always welcome new voices.

If you need more room to express your opinion, you might consider Bull's Eye. This column on the last page of the magazine generates some of the best discussion we've seen on the issues affecting your profession.

We also want to know what information you need. What is your most pressing practice management problem—and how can we help solve it? The more input we have, the better magazine we can produce for you.

Finally, if you're feeling even more ambitious, we are always ready to consider your manuscript or proposal for an article on any non-clinical topic, be it professional, financial, or personal.

Remember, we want to hear from you.

Write: VETERINARY ECONOMICS, 9073 Lenexa Dr., Lenexa, KS 66215. ■

THE IMPACT OF ANIMAL RIGHTS

The 1988 VETERINARY ECONOMICS Continuing Survey asked a nationwide sample of veterinarians to comment on if and how the animal rights movement infringes on their practices. The majority report no problem, but "encroachment by humane societies" ranks as the top problem among those who do feel an impact. (See the charts below.)

According to Franklin M. Loew, DVM, PhD, who is the Science Advisory Panel Coordinator for the American Humane Association, animal welfare is the most important veterinary issue of the late 20th century.

Do you see the animal rights question infringing on your practice?

	Yes	No	If yes, why?*	
All DVM	28.1%	71.9%	Limiting animal research	44.6%
Small	29.3	70.7	Declining demand for meat foods	17.8
Large	29.6	70.4	Encroachment by humane societies	71.4
Mixed	27.8	72.2	Limiting parameters of treatment	23.5
Equine	12.2	87.8	Other	4.2

*Percentages based on multiple responses in the "All DVM" category.

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FEBRUARY 1989

veterinary economics

THE MAGAZINE OF PRACTICE MANAGEMENT AND FINANCE

BACK IN THE TAX SADDLE AGAIN

How will the new rules affect you?

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veterinary economics

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 A Medical Economics Publication

MEMO FROM THE EDITOR

Toting a crystal ball to Florida

I spoke to the American Veterinary Distributors Association last month, and my task was to tell them what you as veterinarians will be like in the 1990s. I suppose astrology or a crystal ball might have worked as well, but I decided to base my forecasts on what I hear you saying *now*. Of course, you're not exactly singing a chorus of agreement—that's obvious just by flipping through an issue of VETERINARY ECONOMICS. But what's important—and what I told the AVDA—is that you *are* singing; that is, you are actively addressing, debating, and solving the practice management issues that confront your profession today.

In my talk, I quoted many of the veterinarians whose names, faces, and stories have appeared in the magazine during the last year or so. I made a case for what practice management consultant Don Dooley calls "practice leadership," and I painted a picture of future practice leaders who know where they want their practices to go, and how to reach that goal.

I told the distributors that what I think the practice leaders of tomorrow want and need is *information*, and that they as distributors may be in a unique position to share both business and clinical insights with you, their customers. I suppose it all boils down to service: To be successful, both you and they must know your clients, determine what those clients need, and provide that service. Healthy, mutually beneficial veterinarian-distributor relationships already exist in some hospitals. But where that relationship *doesn't* exist, the first step is fairly easy: Let your distributors know what type of information you need to build your practice. You may be surprised at what they have to offer.

Becky Turner

Rebecca R. Turner

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From the trenches of veterinary medicine: Let's reclaim pride in our profession.

BAYTRIL®

Brand of Enrofloxacin Antibacterial Tablets.

5.7, 22.7, 88.0 mg Tablets

CAUTION: Federal (U.S.A.) law restricts this drug to use by or on the order of licensed veterinarian.

INDICATIONS: Baytril® (brand of enrofloxacin) Antibacterial Tablets are indicated for the treatment of the following bacterial infections in dogs:

Dermal infections (wounds and abscesses) caused by susceptible strains of *Escherichia coli*, *Klebsiella pneumoniae*, *Proteus mirabilis* and *Staphylococcus aureus*.

Respiratory infections (pneumonia, tonsillitis, rhinitis) caused by susceptible strains of *Escherichia coli* and *Staphylococcus aureus*.

Urinary cystitis caused by susceptible strains of *Escherichia coli*, *Proteus mirabilis* and *Staphylococcus aureus*.

Klebsiella has been recognized as a significant pathogen associated with nosocomial infections in dogs.

CONTRAINDICATIONS: Based on the studies discussed under the section on Animal Toxicology, the use of enrofloxacin is contraindicated in small and medium breeds of dogs during the rapid growth phase (between 2 and 8 months of age). The safe use of enrofloxacin has not been established in large and giant breeds during the rapid growth phase. Large breeds may be in this phase for up to one year of age and the giant breeds for up to 18 months. In clinical field trials there were no reports of lameness or joint problems in any breed. However, controlled studies with histological examination of the articular cartilage have not been conducted in the large or giant breeds.

The safe use of enrofloxacin in breeding female dogs has not been established.

ADVERSE REACTIONS: Two of the 370 (0.7%) dogs treated with Baytril (brand of enrofloxacin) Tablets in the clinical field studies exhibited side effects, which were apparently drug related. These two cases of vomiting were self-limiting.

ANIMAL TOXICOLOGY: Adult dogs receiving enrofloxacin at a daily dosage rate of 52 mg/kg for 13 weeks had only isolated incidences of vomiting and inappetence. Adult dogs receiving the tablet formulation for 30 consecutive days at a daily treatment of 28 mg/kg (5X) did not exhibit significant clinical signs nor were there effects upon the clinical chemistry, hematological or toxicological parameters. Daily doses of 128 mg/kg (25X) for up to 11 days induced vomiting, inappetence, depression, difficult locomotion and death while adult dogs receiving 50 mg/kg/day (10X) for 14 days had clinical signs of vomiting and inappetence.

Treatment of 15 to 28 week old growing puppies with daily dosage rates of 28 mg/kg has induced abnormal carriage of the carpal joint and weakness in the hindquarters. Significant improvement of clinical signs is observed following drug withdrawal. Microscopic studies have identified lesions of the articular cartilage following 30 day treatments at either 5, 15 or 28 mg/kg in this age group. Clinical signs of difficult ambulation or associated cartilage lesions have not been observed in 29 to 34 week old puppies following daily treatment of 28 mg/kg for 30 consecutive days nor in 2 week old puppies with the same treatment schedule.

Tests indicated no effect on circulating microfilariae or adult heartworms (*Dirofilaria immitis*). No effect on cholinesterase values was observed.

No adverse effect was observed on reproductive parameters when male dogs received 10 consecutive daily treatments of 18 mg/kg/day at 3 intervals (90, 45 and 14 days) prior to breeding.

WARNING: Keep out of the reach of children. Wash hands thoroughly with soap and warm water immediately after handling.

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NOTEWORTHY

address book that provides room for personal entries and includes pre-printed information about each sponsor.

Available in 28 states, the program provides sponsors with a list of persons receiving the directory. For more information, contact Roseann Ekert, 115 S. Service Rd., Westbury, NY 11590; (800) 645-6376. In New York; (800) 632-9400 or (516) 333-9400.

ROVER'S RIGHTS

You can help your dog-owning clients bone up on today's tougher canine laws with a new book from the Nolo Press (950

Parker St., Berkeley, CA 94710).

"It's becoming a lot more complicated to have a dog," says author, California attorney, and dog-law expert Mary Randolph. Her new book, *Dog Law*, is designed to guide dog owners through legalities, help them understand their rights and responsibilities, and in effect, avoid lawsuits.

Dog Law also covers such topics as: owner-veterinarian relationships; vaccinations, licenses, and other local laws; buying and selling dogs, traveling with dogs, resolving disputes with neighbors, providing for pets, and much more.

YOU THINK OUR TAX RATES ARE HIGH?

While all of the countries listed below except the United Kingdom and West Germany have reduced their income-tax rates since 1985, our top rate remains by far the lowest.

Top tax rates for 1988

Denmark	68%
United Kingdom	60%
Italy	56%
West Germany	56%
Japan	50%
France	50%
Australia	49%
United States	33%

Source: Richard B. McKenzie, *The Twilight of Government Growth in a Competitive World Economy* (Cato Institute)

Computers: A luxury
or a necessity?

Do clients come first
in your practice?

Hospital of the Year: Griffith
Small Animal Hospital

MARCH 1989

veterinary economics

THE MAGAZINE OF PRACTICE MANAGEMENT AND FINANCE

12 WORST MANAGEMENT MISTAKES

(AND HOW
TO AVOID
THEM)

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 A Medical Economics Publication

MEMO FROM THE EDITOR

The top 7 reasons to read this issue

1. To strengthen your practice. On page 30, Dr. Ross Clark offers a not-so-funny spin-off of David Letterman's "top 10 lists" as he presents his list of the top 12 mistakes veterinarians make in managing their practices. I think you'll be surprised to find that the mistakes are more obvious than earthshattering, but that you'll see the sense in correcting or avoiding all of them.

2. To better serve your clients. At VETERINARY ECONOMICS, we spend a fair amount of time suggesting that you find out what your clients want and then give it to them. In a two-part series that begins on page 38, we'll provide you with the tools to do just that. This month, Dr. Fredric Cantor presents a compelling case for veterinarians who listen to their clients; is it time for you to get off your pedestal, stop the assembly line, or tone down your sales pitch?

3. To "ooh and aah" (and get some good ideas). Hospital of the Year plaques hang in only 22 of the nation's 21,000 veterinary hospitals. That number will climb to 23 after Dr. Robert Griffith receives his plaque during a special presentation at the AAHA convention in April. For a tour of the award-winning Griffith Small Animal Hospital in Austin, Texas, see page 46.

4. To boost referrals. Do clients get what they expect when they come to your hospital? If not, they won't make referrals, and they may do worse: They'll tell people *not* to come to your practice. On page 58, management consultant Bob Levoy explains how to build your practice by bridging the expectations gap and encouraging referrals.

5. To make a decision about computerization. Do you need a computer? Can you afford a computer? On page 65, financial editor Owen McCafferty offers some common-sense advice on a matter that every veterinarian in the country is likely to face sooner or later.

6. To help make dentistry a vital part of your practice. Last June, we analyzed why some veterinarians hesitate to offer dentistry—and offered some convincing arguments on why and how this service can help build your practice. This month, five practitioners explain how you can convince your clients.

7. The seventh reason to read this issue is, of course, everything else you'll find on its pages. There are articles on the "kiddie tax," investment brokers, euthanasia, and much more. I hope you find the information useful, interesting, and enjoyable, but I'd rather know for sure. Please write with your comments. We rely on your feedback.

Becky Turner

Rebecca R. Turner

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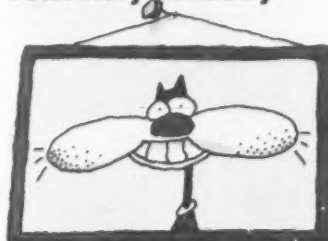
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ARCHITECTURAL EXCELLENCE
HOSPITAL
OF THE YEAR

23rd ANNUAL HOSPITAL DESIGN COMPETITION

GOOD LOOKS, GREAT HOSPITAL

Dr. Robert Griffith wanted his hospital to turn heads, and it did. Our judges found his Austin facility striking enough—inside and out—to call it the Hospital of the Year.

By Catherine Lumetta ASSOCIATE EDITOR

Unbelievable. That is a *real* hospital." These two simple sentences—spoken by a judge at VETERINARY ECONOMICS' 23rd Annual Hospital Design Competition—helped place the Griffith Small Animal Hospital in the winner's circle as the 1988 Hospital of the Year. The hospital is owned by Dr. Robert R. Griffith

and located in Austin, Texas.

Nearly seven years out of Colorado State University, Dr. Griffith thinks the win is "pretty unbelievable," too. The 31-year-old doctor practiced in Austin for nearly five years before deciding to start out on his own. Just eight months later, he opened the doors of his award-winning hospital. "I

took about eight months off to plan and build this facility, beginning in June of 1987," he says. "We broke ground the following October. The building was finished January 30, and we opened doors February 1."

The Mediterranean look of the Griffith Small Animal Hospital complements local architecture in Austin.



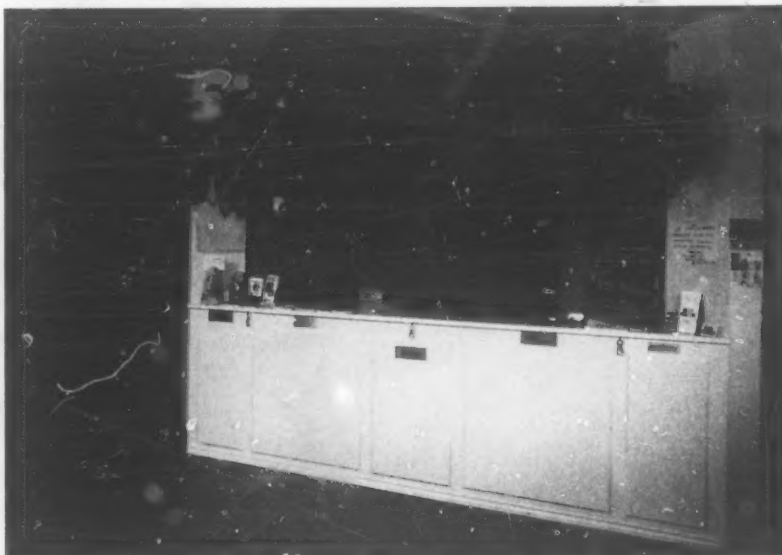
The building went up quickly, Dr. Griffith says, because times were slow for the construction business. "I also had an excellent construction manager, and the company was great," he adds. "Things were kind of hectic right at the end, but I was anxious that my clients wouldn't wait for me. That was one of the reasons I named the hospital after myself—to make it easier for my clients to find me."

The luck of the draw

Dr. Griffith says that luck seemed to follow him during the whole endeavor. When the sight he chose became available, "we snatched it up because everything fit: the zoning was perfect; the location—I couldn't have asked for a better one as far as traffic flow and convenience. We were very lucky to get this site," he says.

Dr. Griffith leases the land, but says he has no fear of losing it. "The land is owned by a trust and they don't want to sell," he explains. "Our site is right in the middle and they didn't want to break up the land. We have a long lease with some options, so I feel comfortable spending money on the clinic."

Veterinary clinics in Austin fall under "local retail" zoning. Although the city gave its OK for the hospital, Dr. Griffith wanted the go-ahead from his potential neighbors as well. "After we discovered that zoning was no problem and we signed the land lease, I met with two neighborhood groups before we broke ground,"



Coat hooks at the reception desk allow clients to free their hands during transactions. Owner Robert R. Griffith, DVM, says clients use them frequently.

he says. "I went before them with drawings and all my plans. Once they saw the plans and I told them that there were no outdoor runs and everything was contained, they were very impressed and actually wanted it built."

Upon recommendation, Dr. Griffith chose Danze and Davis Architects Inc. to design his facility. "They were great people—very efficient," he says. "I told them what I was looking for, and we had already located the land, so they knew what square footage to deal with," he says. "I had picked up ideas from the other clinics where I'd worked, and from back issues of VETERINARY ECONOMICS. I was really pleased with the floor plan the firm came up with."

While not a requirement for AAHA certification, Dr. Griffith

says he had the floor plan critiqued by Architect John Knapp through AAHA's architectural review program. "We really didn't have to change much, although he wasn't too keen on all of the space we had allotted for offices," Dr. Griffith says. "We decided to keep all of the space, though, because I wanted the building to be as comfortable as possible for the staff. I'm glad we did, because now when we work 13-hour days, we aren't as tired as we might otherwise be."

Another lucky break, Dr. Griffith says, was that one of AAHA's field representatives was in town soon after the practitioner opened his doors. "He inspected the hospital and we received AAHA certification just a few months after opening," he says. ►

HOSPITAL OF THE YEAR

COMPETITION DRAWS FROM FAR AND WIDE



Who entered VETERINARY ECONOMICS' 23rd Annual Hospital Design Competition? The entries came from 27 states and one foreign country, with the largest showings in Texas and Florida. The map above shows the number of entries from each state, but doesn't show the sole international entry from Ontario, Canada. The winners—whose states are highlighted on the map with color—are listed below.

1988 Hospital of the Year

Griffith Small Animal Hospital
Austin, Texas
Small animal freestanding

1988 Merit Award Winners

Amber Oaks Veterinary Hospital
Midwest City, Okla.
Small animal freestanding

Animal Medical Center
Richland, Wash.
Small animal conversion*

Heritage Animal Hospital
San Antonio, Texas
Small animal leasehold*

Humphrey, Giacomuzzi, Cox
Equine Hospital
Sumis, Calif.
Equine freestanding

Indian Hills Animal Clinic
Wichita, Kan.
Small animal freestanding

Main Street Veterinary Hospital
Lewisville, Texas
Small animal leasehold

Oakwood Veterinary Hospital
Woodbridge, Calif.
Small animal
owner-developed leasehold

Seguin Animal Hospital
Seguin, Texas
Mixed animal freestanding

Southwest Texas Veterinary
Medical Center
Uvalde, Texas
Mixed animal freestanding

Table Mountain Veterinary Clinic
Golden, Colo.
Small animal addition/alteration

Westlake Animal Hospital
Tarpon Springs, Fla.
Small animal freestanding

*Designates facility type, not practice type.

HOSPITAL OF THE YEAR

Beauty through and through

VETERINARY ECONOMICS' judges say that the building, which fits in well with Austin's Spanish architecture, has "great eye appeal, inside and out." Dr. Griffith says, "I went with a similar Mediterranean look because I personally like it. It has worked out very well because the building blends in with the area architecture just enough, but yet it stands out. This was an empty lot for a long time,

so I had to make people look in this direction again."

His plans seem to work. "I'd say we've had a tremendous number of new clients come in because they saw the building—many said they drive by every day—and were impressed," he says. "My location has great traffic flow and is easy to get to because we're near some major thoroughfares in a growing part of Austin."

Dr. Griffith adds that "the

building has worked better than I expected in bringing in new clients. I wanted to rely on it as a source of advertising because I hadn't been practicing for eight months. During the first few months, we had a steady inflow of new clients. Now, after 12 months, we have about 1,400 clients."

The hospital's interior features a large waiting room and a wide hallway for easy access to exams. Along the corridor are small win-

GRIFFITH SMALL ANIMAL HOSPITAL

Address: 3407 Northland Dr.
Austin, TX 78731

Owner: Robert R. Griffith, DVM

Other DVMs: Susan D. Eakle, DVM

Support staff:

Five full-time, four part-time

Equipment costs: \$60,000

Furniture costs: \$14,000

Architect:

Danze and Davis Architects Inc.
3807 Spicewood Springs Rd.
Austin, TX 78738

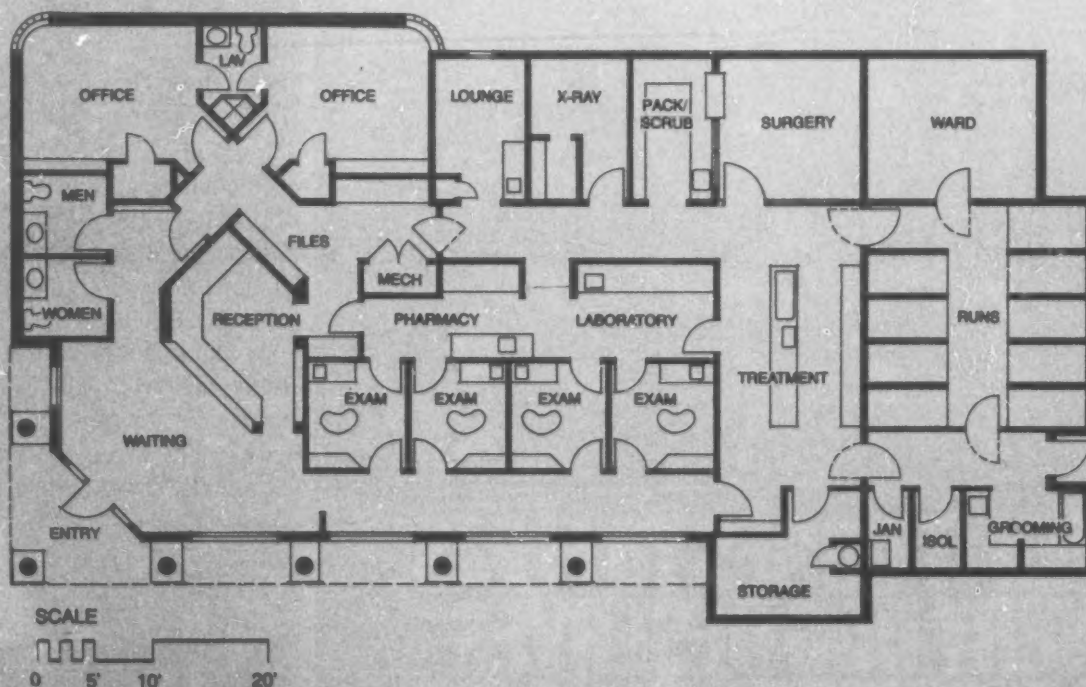
Practice type:

100 percent small animal

Building size: 4,770 square feet

Construction cost: \$276,516
(\$57.97 per square foot)

Site cost: Leased



dows that face west. "They really put out a lot of light," Dr. Griffith says. "We didn't want them too big because too much sun in the Austin summertime can really cause our utility bills to go up."

The hospital design judges questioned one aspect of Dr. Griffith's exam-room design: The "lima bean" exam tables. "I call them 'kidney bean!'" Dr. Griffith laughs. "I love that part of my exam room. The first clinic I worked in had similar exam tables. I made them bigger, with a thicker pole, and also bolted them to the slab so that the linoleum covers the bolts. I'm able to get closer to the animal because of the curve, and can also walk around them easily."

"It's just a nice design—makes the room look a little less like a doctor's office. They're very, very sturdy and covered with a plastic laminate that hides scratches." The judges worried that the tables couldn't accommodate large animals, but Dr. Griffith says he's "put 100-pound shepherds up there and they're comfortable."

A different color scheme in each exam room "breaks up the monotony for staff and for people who come in a lot. The variety didn't add to the cost, either," he says.

A central treatment area gives the staff easy access to all areas of the hospital. Staff members take a short jog through treatment to discharge animals, but Dr. Griffith says that hasn't been a problem. "They take the animals through the door by the janitorial closet, but it's out of traffic flow."

Growing fast

Dr. Griffith says his clients and patients feel more comfortable in

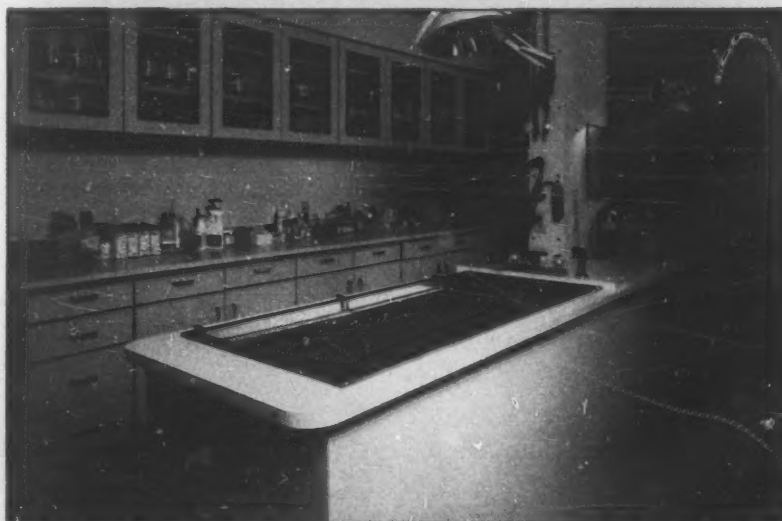
his new facility because its decor isn't sterile-looking. "The number-one comment I've heard is that it doesn't look like a veterinary hospital," he says. "I think the animals enjoy it too. They aren't saying that, of course, but the skylights in the wards and

runs seem to have been a good idea." Besides providing natural light, the skylights also help his utility bills, Dr. Griffith says.

After one year of practice, Dr. Griffith has discovered only one "problem" with his new facility: "We've grown faster than I ever



Dr. Griffith chose to give the staff plenty of space so long days would be less tiring. The doctors' offices both feature curved glass block windows.



The treatment room features a central island console with a stainless steel tub and rack. Cabinets with glass doors decrease dust accumulation.

THE GOING RATE FOR NEW HOSPITALS

The chart below shows the average construction costs and average cost per square foot of the hospitals entered in the 1987 and 1988 Hospital Design Competitions. The 62 entries in the 1988 competition included these facility types: 33 freestanding, 13 leasehold, one addition, two alterations, seven additions and alterations, four conversions, and two owner-developed leaseholds. In selecting award winners, the four competition judges consider the limitations and advantages of each facility type.

Clinic type	Average construction costs ¹	Average cost per sq. ft.
Freestanding	\$282,605	\$ 58
	219,000	59
Leasehold	41,824	22
	61,000	51
Additions	100,000	100
	237,000	70
Alterations	107,678	32
	*	*
Additions/alterations	185,060	49
	*	*
Conversion	148,885	47
	89,000	32
Owner-developed leasehold	244,080 ²	90
	*	*
All projects	202,648	50
	171,000	51

☐ 1988 entries ☐ 1987 entries

¹Figures compiled from VETERINARY ECONOMICS' Hospital Design Competition entries. Land and equipment costs not included.

²Tabulated by multiplying per-square-foot cost of total center by square footage of clinic and adding the cost of the leasehold improvement.

*Not available.



Dr. Griffith says his "kidney-bean" exam tables are very functional.

anticipated, and if I could I would have a bigger business office," he explains. "The reception is becoming crowded, as well as the filing area. Actually I'm *happy* that it's a problem." Dr. Griffith says that during the design phase, spatial constraints restricted him from making these areas larger.

If he had it all to do over again, Dr. Griffith says he might make a few small adjustments, but that he wouldn't change the time he took to plan. "One thing that helped me was taking time off from practicing to devote all my time to planning. If you can do it, you can sure lessen potential mistakes that can happen."

"I think every veterinarian dreams of owning his own hospital," Dr. Griffith concludes. "Of course it has its share of headaches, but I wouldn't trade my hospital for anything." ►

INTENSE CONCENTRATION, ACTIVE DEBATE: THE JUDGES PICK A WINNER

Few instructions were necessary the day the judges arrived. They took one look at the 62 entries spread on long tables before them, chose stations, and for the next seven hours proceeded to silently pour over the photos, floor plans, and descriptions. After each judge had thoroughly reviewed every entry, the room erupted into activity, the judges gathering and discussing their round-one picks. Their decisions, they say, got more difficult as fewer and fewer entries made it through the various rounds of discussion and debate.

When it was all over, one hospital became Hospital of the Year, and 11 others were named Merit Award winners. Each winner will be on display for your inspection in upcoming issues of *VETERINARY ECONOMICS*. After the winners were chosen, we asked the judges to comment on the quality of the entries and on the trends they detect in veterinary hospital design.

"The overall quality was outstanding. For the most part, plans were what we have come to expect," says Judge Jim Rosenberger, DVM. Dr. Rosenberger and the three other judges reviewed 40 small animal practices, 20 mixed animal practices (only five of which were mixed animal facilities), one large animal practice, and one equine practice. Dr. Rosenberger, who has judged the competition since it began in 1965, says that DVMs are beginning to pay attention to what they want in a hospital. "That comes across in quality," he says.

Another testimony to higher standards is the quality the judges perceived in the mixed animal entries. "We used to rarely see a good mixed animal facility," says Dr. Ross Clark, another long-time judge. "Now they have surpassed what we used to call Hospital of the Year."

The judges say that additions and alterations are also planned with more care now. "There seems to be a lot more creative remodeling going on," says Dan Chapel, AIA, of Little Rock, Ark. "In the old days, people would just add two or three exams. Now they buy a sow's ear and really turn it into a silk-purse hospital."

Last year's judges predicted that there would be more freestanding facilities and less leased in this year's competition. But the reverse actually happened. This year's ratio was 53 percent freestanding and 21 percent leased, compared to last year's 59-to-20 ratio. The judges say that practitioners

seem to be combining the best of both worlds by acting as their own developers. "Again this year we saw veterinarians developing strip centers to create a good location for their facilities," says Kansas City Architect Jim Marshall. "They can design a leased facility that's as good as a freestanding hospital, and yet they gain the added traffic from being in a complex of buildings. Practitioners looking for a new location should seriously consider this as a financial advantage."

Marshall also comments on the number of women owners who this year made up 30.4 percent of the entrants. "I noticed a trend that we see in the marketplace—an exceptionally large number of female practitioners who, either on their own or in partnership, own their practices. I think it's commendable that veterinary medicine has become more of an equal opportunity profession."

The judges say that the quality product displays found in the entries also reflect current trends in the profession. "I was impressed that people are finally getting a handle on merchandising as it evolves in our profession. We had some quite attractive displays this year that did not distract from the professionalism of the practices as much as I've seen some do in the past," Dr. Clark says.

Perhaps the strongest criticism the judges made about the entries concerned poorly designed reception areas. "I think practitioners need to watch how they use their reception areas, particularly those in leased spaces," Dr. Rosenberger says. "They want to be careful not to isolate the receptionist so that she can't function in other ways if necessary, say, if a staff member is out sick."



The judges, shown here pouring over an entry, are (from left): Dan Chapel, AIA; Jim Rosenberger, DVM; Ross Clark, DVM; and Jim Marshall, AIA.

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There's more than one way
to buy or sell a practice

The latest in equine
management

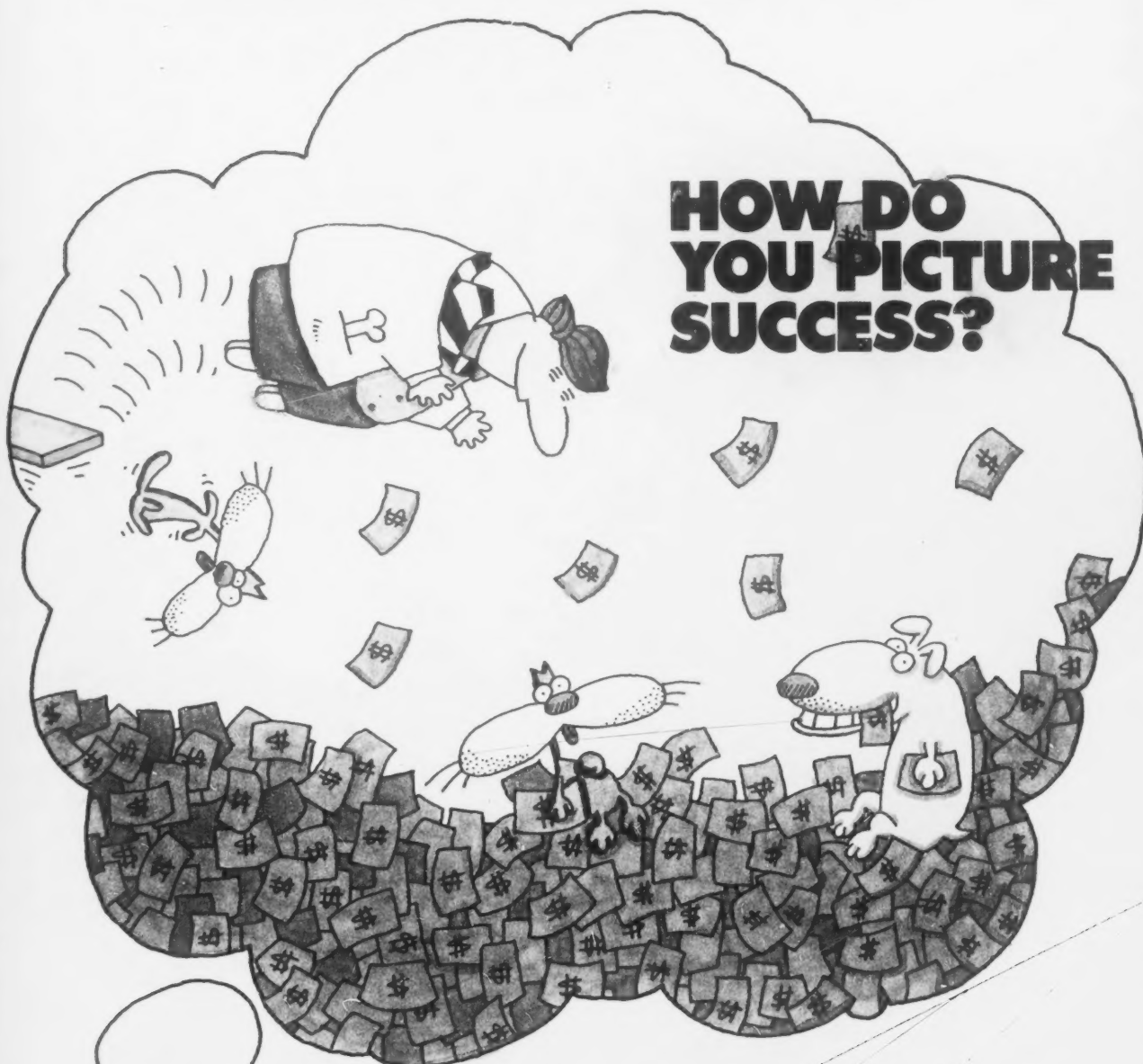
Make the most of the
conventions you attend

AUGUST 1989

veterinary economics

THE MAGAZINE OF PRACTICE MANAGEMENT AND FINANCE

**HOW DO
YOU PICTURE
SUCCESS?**



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A Medical Economics Publication

MEMO FROM THE EDITOR

Seize the day

In the recent movie, *Dead Poets' Society*, Robin Williams plays John Keating, who exhorts his law-and-medical-school-bound students to "seize the day," to refuse to conform to someone else's notion of what they should be. His message, in part, is for them to excel at what makes them happy and to turn convention on its head. They *alone* must define and create their successes.

To be sure, management consultant Don Dooley is more subtle; I doubt that he'd ask you to stand on your desks—as Keating asks his students to do—just to see your practices from a different perspective. But in this month's cover story, he explains that he, too, has a problem with conventional notions of success. Who is to say, he wonders, if gross income alone is a healthy—or even a valid—measure of how well you are doing?

Strange, I know, coming from a magazine that makes a habit of searching out and reporting veterinary income. But Dooley's message is not to abandon your quest for the green stuff, but to enlarge your notion of what success really means. His analysis defies statistical or empirical proof; he just wants you to stop for a minute and think about where you are going and why—and if your journey is a pleasant one. How much consideration *do* you give to happiness and satisfaction?

In organizing this month's articles, I worried that Dooley's message calls into question everything else we say in this issue; surely financing the sale of a veterinary practice is a crass endeavor compared to the loftier task of being happy. But as I reviewed each piece, I realized that most of them do in fact capture the spirit that Dooley describes. He says that to be satisfied with what you are doing is a *choice*; I'll add that there is nothing wrong with choosing to do it well.

Becky Turner

Rebecca R. Turner

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This historian says that history can help build veterinary medicine's future.

tineoplastics experienced a 20 to 30 percent higher risk of infertility than those having less contact with these chemicals. And about 13 percent of the respondents reported some difficulty in becoming pregnant since graduation. Researchers say the risks may be underestimated because actual exposure is difficult to measure.

Although he warns that further study is needed, researcher John Wilkins says that DVMs need to be more aware of potential health hazards, espe-

cially since females make up almost half of many veterinary classes.

"It's too early to say there's a definite infertility risk," Wilkins says, "but we think the evidence suggests potential problems."

DID YOU KNOW . . . ?

•Veterinary school enrollment dropped by 136 students in the 1988-1989 academic year. Colorado State University boasted the most students with 498, while Oregon State University showed the lowest

number—142. The total 1988-1989 enrollment in U.S. and Canadian veterinary schools: 9,718, of which 57.5 percent were women.

•August marks the scheduled beginning of a seven-month transcontinental trek across Antarctica by researchers and a team of 42 sled dogs. The purpose of the expedition, which is supported in part by Hill's Pet Products, is to dramatize the need for international cooperation in protecting Antarctica's fragile environment. Hill's is spearheading a nationwide

campaign with veterinarians to alert the public to this journey, which also will be chronicled on five ABC television specials.

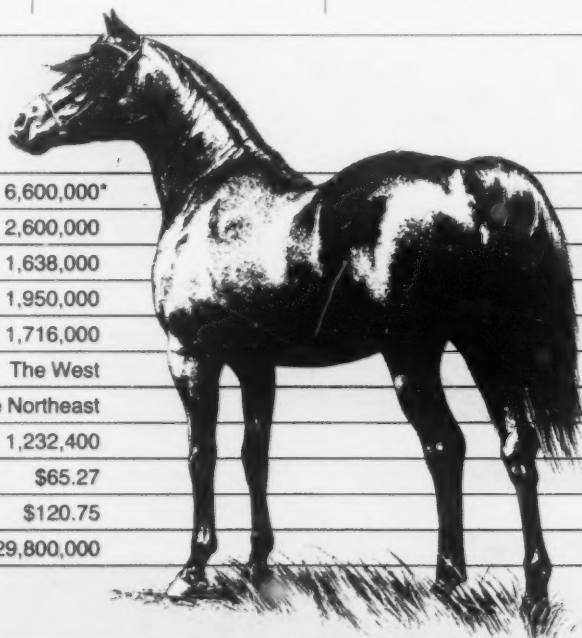
•THE DAILY LOCAL NEWS in West Chester, Pa., now runs "full-length, lovingly reported" obituaries of deceased pets. News Editor John DeSanto says, "They're really little stories about peoples' relationships with animals. They really get into peoples' hearts." For more on how you can help your clients through the grief process, see page 64.

A SHORT COURSE ON THE STATE OF THE HORSE

United States horse population	6,600,000*
Number of horse-owning households	2,600,000
Number of horse-owning households with children	1,638,000
Number of horse owners who own dogs	1,950,000
Number of horse owners who own cats	1,716,000
Area of highest horse ownership	The West
Area of lowest horse ownership	The Northeast
Number of horse owners who obtain veterinary care	1,232,400
Mean cost per veterinary visit	\$65.27
Mean annual expense per household	\$120.75
Total annual expense for equine care in the U.S.	\$329,800,000

Source: Charles, Charles Research Group, 1988

*Does not include those owned by commercial operations or other organizations.



OCTOBER 1989

veterinary economics

THE MAGAZINE OF PRACTICE MANAGEMENT AND FINANCE

1989 CONTINUING SURVEY RESULTS



THE LATEST IN VETERINARY EARNINGS

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MEMO FROM THE EDITOR

An unexamined practice . . .

Management consultant Don Dooley tells me that when veterinarians review the results of our annual Continuing Survey, those who don't measure up to our numbers want to jump out the window; those who beat the median want to kick back and fish for a while. We don't recommend either extreme. In fact, we suggest that before you decide your fate, you do much more than simply glance at the numbers.

Yes, the earnings figures you'll find in this issue give you a gauge by which to measure *how* you are doing. But what they really offer is an opportunity—or perhaps an excuse—to find out *why*. Why, for example isn't your gross income where you would like it to be? Or why, for that matter, is your practice doing well? If you don't know the reasons for your success, you may be in for a surprise when you get back from your fishing trip.

The consultants we interviewed for this month's cover story maintain that you have to know what is wrong with your practice before you can fix it—and what is right before you can build on it. They say that pointing to the weather, the economy, and the competition doesn't mean much anymore; the problem and the solution are more likely to lie with you, your attitude, and your own practice situation.

So no matter how you compare to the 1,401 veterinarians whose composite financial portrait is drawn here, try to look beyond the numbers and into the mirror. Then take the consultants' advice and analyze your practice from the *inside* out. When you know what moves your practice and why, the nationwide comparisons will lose some of their ability to chill or to thrill.

Becky Turner

Rebecca R. Turner

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A PLACE FOR ORPHANED FELINES

Where do cats go when their owners don't want them anymore? Displaced cats can find a home in Falls Village, Conn., at the Last Post. The home was founded six years ago by the late Pegeen Fitzgerald, past president of the Midwestern Guild, a New York-based animal welfare group.

A full-time staff of eight cares for a full-capacity crowd of 350 felines. "We have an extensive waiting list—no openings until

May," says manager Todd Boibeaux. The cost for each cat per year: Boibeaux estimates \$1,000, which is paid for strictly by donations.

The Last Post consists of two buildings on 35 acres, seven of which are fenced in for the cats. "None of them wander outside the fence because they really have no reason to," says Boibeaux, who's soon to be licensed as a veterinary technician. Nearby veterinarian Dr. Vincent Peppe lends a medical hand when necessary.

The cats must meet certain medical require-

ments and are quarantined upon arrival, which helps prevent major outbreaks of disease. "As long as the cats don't feel stressed by overcrowding or neglect, they generally stay healthy," Boibeaux says. Among the facility's amenities: a 140-foot sundeck and two open, furnished rooms for the cats.

The Last Post is open to visitors, who "come in handy because we tend to have a shortage of attention for everyone," Boibeaux says. The home sponsors an adoption program for the cats

(whose average age is nine years old), but will take cats back if their new homes don't work out. For additional information about The Last Post, call (203) 824-0831 between 9 a.m. and 5 p.m.

CORRECTION

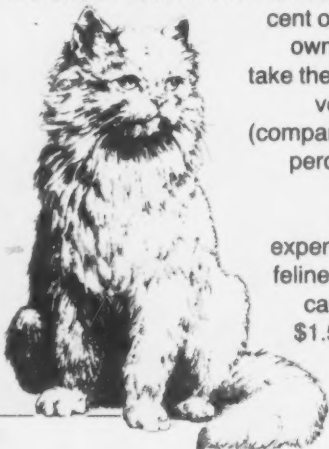
On page 8 of the August issue, we reported the "recent introduction of a six-month injectable canine heartworm preventive." The information, provided by Frost & Sullivan, Inc., is incorrect. No such product has been released. ■

CAT STATS

As you probably know, cats are the craze these days. The percentage of households owning cats has increased from 28.4 percent in 1983 to 30.5 percent at the end of 1987. Nevertheless, 40.5 per-

cent of these cat owners do not take their cats to a veterinarian (compared to 22.4 percent of dog owners).

Estimated expenditures for feline veterinary care in 1987: \$1.573 billion.



United States cat population	54,600,000
Number of cat-owning households	27,700,000
Percentage of cat owners who own dogs	50 percent
Percentage of cat-owning households with incomes of \$30,000 or more	48 percent
Percentage of cat-owning households with children	55 percent
Area of highest cat ownership	The West
Area of lowest cat ownership	The North Central
Percentage of cat owners who obtain veterinary care	59.5 percent
Average number of veterinary visits per household	1.6
Average cost per veterinary visit	\$33.59
Average annual expense per household	\$63.83

Source: Charles, Charles Research Group, 1988

1989 CONTINUING SURVEY RESULTS



THE LATEST IN VETERINARY EARNINGS

Here's a region-by-region overview of the 1988 figures, with commentary from a distinguished panel of consultants.

By Catherine Lumetta

ASSOCIATE EDITOR

Every year, we track the ups and downs in veterinary earnings by surveying thousands of your colleagues. The report is mixed this year, with good news for equine and large animal practitioners—and not-so-good news for small animal veterinarians. Gross income* fell across the board in 1988—except in the case of large animal practitioners, who raised their gross income some \$27,000 over their 1987 figures, and equine practitioners, who saw a \$5,800 increase.

For veterinarians as a whole, however, gross income decreased 5.9 percent, while net fell only 0.24 percent. The respondents' reported expenses ate up 48.3 percent of gross, a slight improvement over 1987's already surprisingly low 49.7 percent. You'll find a detailed report on expenses in the December issue.

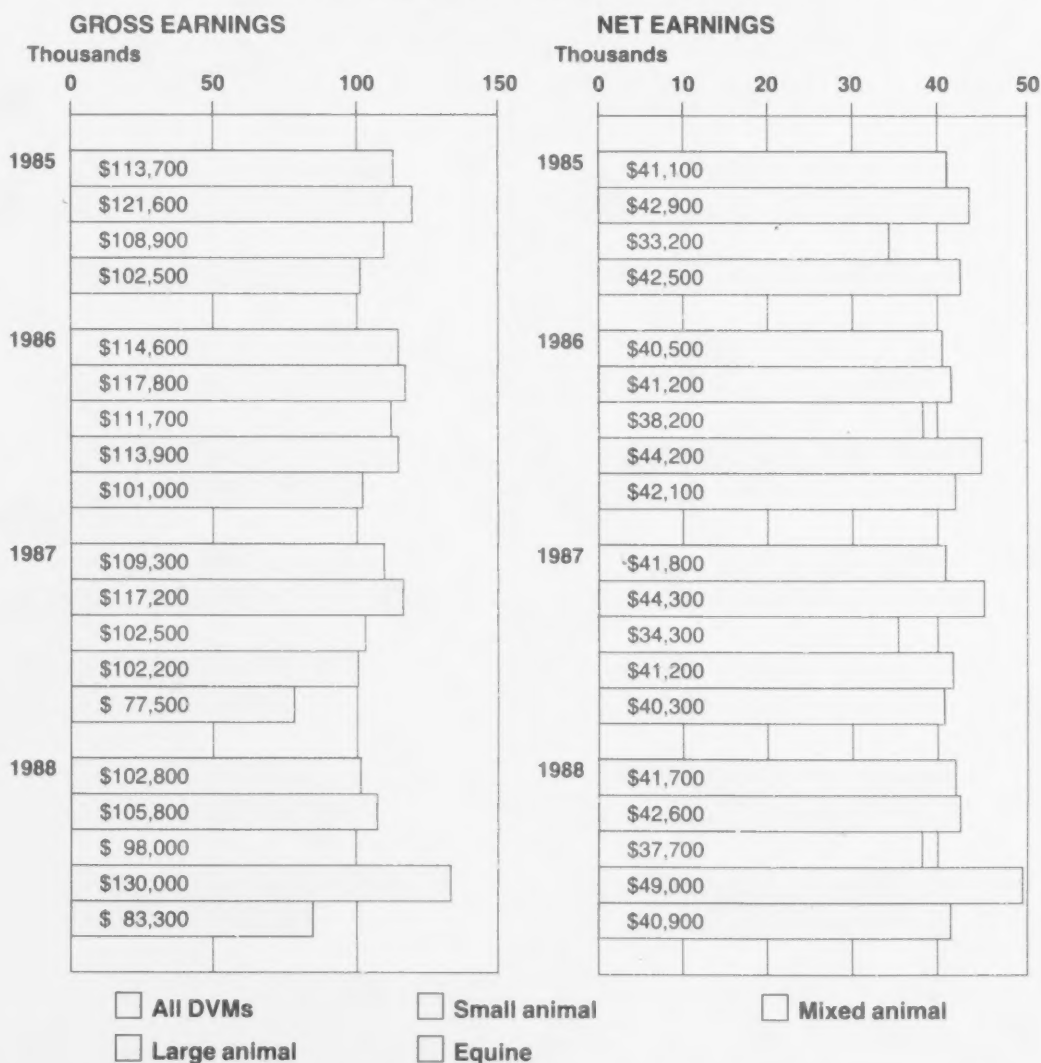
Be aware that the earnings numbers alone tell a rather bleak story. In reviewing them, we turned to a panel of consultants for comment: Is the veterinary profes-

*All gross and net income figures reported in this article are medians

COVER STORY

ARE YOU STUCK ON THE MEDIAN?

VETERINARY EARNINGS, 1985-1988



Source: VETERINARY ECONOMICS' 1989 Continuing Survey

GROSS EARNINGS DROP BY 5.9 PERCENT

Individual gross income	Percent of practitioners	
	1988	1987
\$200,000 or more	15%	16%
190,000-199,000	4	4
180,000-189,999	3	4
170,000-179,999	4	3
160,000-169,999	4	3
150,000-159,999	4	4
140,000-149,999	4	3
130,000-139,999	2	3
120,000-129,999	4	4
110,000-119,999	3	4
100,000-109,999	4	5
90,000-99,999	4	4
80,000-89,999	3	3
70,000-79,999	3	4
60,000-69,999	2	6
50,000-59,999	4	4
40,000-49,999	7	3
30,000-39,999	11	10
Less than \$30,000	15	13
Median	1988: \$102,800	1987: \$109,300

sion stuck on a median that rarely changes? What forces are at work in the economy to produce these results? And what can veterinarians do to change the scenario? We'd like to hear your impressions as well: What do you think of the numbers being generated by practitioners in your region? Are they representative? How does your situation compare?

The Northeast

The Northeast saw a near-22-percent plunge in 1988 gross income, but the news isn't all bad: Net income remained virtually the same as it was in 1987. Survey respondents brought in 21.7 percent fewer dollars overall, but net income dropped only by slightly less than one-half percent.

"By analyzing the income figures for both 1987 and 1988, it appears that the number of client transactions has gone down in every region," says David Gallagher, practice management lecturer at the New York State College of Veterinary Medicine at Cornell University. "Yet all the market studies say that the number of people who take their animals to a veterinarian is up. So the only other explanation is that there are more practitioners getting a smaller piece of the pie."

This stiffer competition, he says, may explain why gross income is down and net is up: "I see this very phenomenon in some of the practices I work with: When the number of veterinarians in a practice increases, the gross may conceivably be up, while the aver-

EARNINGS

NET EARNINGS SHOW A SLIGHT 0.2-PERCENT DROP

Individual net income	Percent of practitioners	
	1988	1987
\$100,000 or more	9%	7%
90,000-99,000	3	4
80,000-89,999	4	3
75,000-79,999	2	3
70,000-74,999	4	4
65,000-69,999	2	3
60,000-64,999	3	5
55,000-59,999	5	3
50,000-54,999	6	8
45,000-49,999	7	5
40,000-44,999	7	7
35,000-39,999	10	7
30,000-34,999	10	12
25,000-29,999	10	10
20,000-24,999	9	9
15,000-19,999	4	4
10,000-14,999	2	3
Less than \$10,000	3	3
Median	1988: \$41,700	1987: \$41,800

age gross *per veterinarian* is actually down."

"This situation can be very positive," he continues, "because the overall gross may be high enough to more than cover additional veterinarians. That way, the doctors themselves have a more liveable practice situation because they get more time off."

Those are comforting words, indeed—unless you've personally seen such a 22-percent drop in your gross income. In that case, Gallagher says, "it's impossible to generalize, but what's important is that you recognize that there is a problem you must investigate. You have to look at such factors as the local economy, competition, even your own attitude and that of your staff."

"Look at the situation in terms of trends. Explaining why a downturn occurred is the first step toward fixing the problem. But if you can't pinpoint the problem, you have to take a diagnostic approach. Look at your activity, your income flow, and the amount of activity involved with that flow. Compare year to year, period to period."

Gallagher says of the slight drop in expenses nationwide: "The idea that vets in the aggregate report that they were able to reduce their expenses from 49.7 to 48.3 just doesn't make sense to me. Unless a practice deliberately curtails itself and decreases its volume, then expenses don't go down—they go up. Delivering quality care today necessarily drives the expenses up. This decrease doesn't agree with

the information that I monitor on a monthly basis."

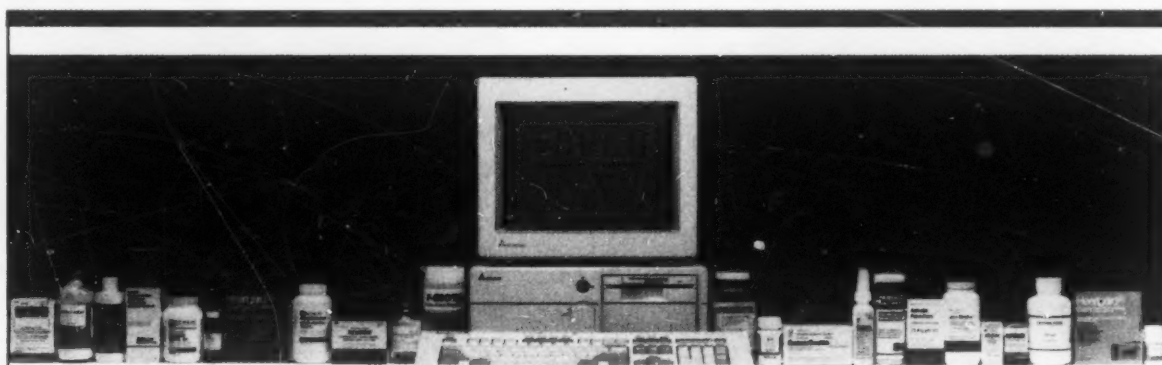
The West

Don Dooley, a practice management consultant in Los Gatos, Calif., says that doing better has a great deal to do with attitude. "Veterinarians can't do anything about their competition or their neighborhood economy," he says. His region is the only area of the country where both gross and net increased, 5 percent and 9.8 percent respectively.

Dooley, however is not pleased with the increase: "A 5-percent increase barely covers the 4.4-percent rise in the Consumer Price Index." He adds that veterinarians can make whatever they want to make. "I don't like the word 'should,' but a veterinarian who owns a practice in the West should net about \$100,000. Then again, I know of practitioners in the Midwest netting that amount. Why aren't the rest?"

"Here's what practitioners *can* do: Start charging for everything

they do based on their own fee schedules. That will add \$40,000 to their grosses. Secondly, they can get out of the way and start doing everything that their clients want. That will add another \$30,000. I'm not suggesting that they sell clients things they don't want or need, but they shouldn't be making up clients' minds. This isn't true just in California, it's true everywhere. Veterinarians don't have to change the world to better their lives. They just have to change their attitudes." ►



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INCOME IS DOWN-AND-OUT IN MOST REGIONS

Net income shrunk for veterinarians in four of the seven regions surveyed. Hardest hit were the southern regions: Net in the Mid-South decreased 21.3 percent from 1987 totals; in the South-Atlantic net fell 17.4 percent.

Gross income is down in all regions but the West, which showed a 5-percent improvement in 1988. Net in the West rose 9.8 percent. The North-

east shows the most dramatic discrepancy between gross and net, with a 21.7-percent drop in gross and only a 0.47-percent slide in net.

On the bright side, average client transaction fees are up 15.9 percent for all veterinarians. See the accompanying article for more detailed information on veterinary earnings, and for comments on the survey findings.



ALBON® (sulfadimethoxine) Injection-40%

DESCRIPTION: ALBON Injection-40% is a low-dosage, rapidly absorbed, long-acting sulfonamide, effective for the treatment of a wide range of bacterial infections commonly encountered in dogs and cats.

Each ml contains 400 mg sulfadimethoxine.

Dogs and Cats

INDICATIONS: ALBON Injection-40% is indicated for the treatment of a wide range of respiratory, genitourinary tract, enteric and soft tissue infections when caused by streptococci, staphylococci, escherichia, salmonella, klebsiella, proteus or shigella organisms sensitive to sulfadimethoxine.

DOSAGE AND ADMINISTRATION: ALBON Injection-40% is recommended for administration by the intravenous or subcutaneous routes.

Dogs and cats should receive 1 ml of ALBON Injection-40% per 16 pounds of body weight (55 mg/kg) as an initial dose, followed by 0.5 ml per 16 pounds of body weight (27.5 mg/kg) every 24 hours thereafter.

LIMITATIONS: Sulfadimethoxine is not effective in viral or rickettsial infections, and as with any antibacterial agent, occasional failures in therapy may occur due to resistant microorganisms. The usual precautions in sulfonamide therapy should be observed.

PRECAUTIONS: During treatment period, make certain that animals maintain adequate water intake.

If animals show no improvement within 2 or 3 days, reevaluate your diagnosis.

Intramuscular administration is not recommended. Some animals treated by the intramuscular route exhibit signs of pain during and for a few minutes following such injections, and in dogs blood levels are lower than those obtained by intravenous or subcutaneous treatments.

NOT FOR HUMAN USE

CAUTION: Federal law restricts this drug to use by or on the order of a licensed veterinarian.

ALBON® (sulfadimethoxine)

Tablets

0.125 g, 0.25 g and 0.5 g

Oral Suspension-5%

Each teaspoonful (5 ml) contains 250 mg sulfadimethoxine. To be used in the treatment of sulfonamide-susceptible bacterial infections in dogs and cats and enteritis associated with coccidiosis in dogs.

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DOSAGE AND ADMINISTRATION

ALBON TABLETS AND ALBON ORAL SUSPENSION-5%:

INITIAL DOSE: 25 mg/lb (55 mg/kg) of animal body weight.

SUBSEQUENT DOSES: 12.5 mg/lb (27.5 mg/kg) of animal body weight.

ALBON ORAL SUSPENSION-5%

Dogs and cats should receive 1 teaspoonful of ALBON Oral Suspension-5% per 10 pounds of body weight (25 mg/lb or 55 mg/kg) as an initial dose, followed by 0.5 teaspoonful per 10 pounds of body weight (12.5 mg/lb or 27.5 mg/kg) every 24 hours thereafter.

If animals show no improvement within 2 or 3 days, reevaluate your diagnosis.

LIMITATIONS: Sulfadimethoxine is not effective in viral or rickettsial infections, and as with any antibacterial agent, occasional failures in therapy may occur due to resistant microorganisms. The usual precautions in sulfonamide therapy should be observed.

PRECAUTIONS: During treatment period, make certain that animals maintain adequate water intake.

NOT FOR HUMAN USE

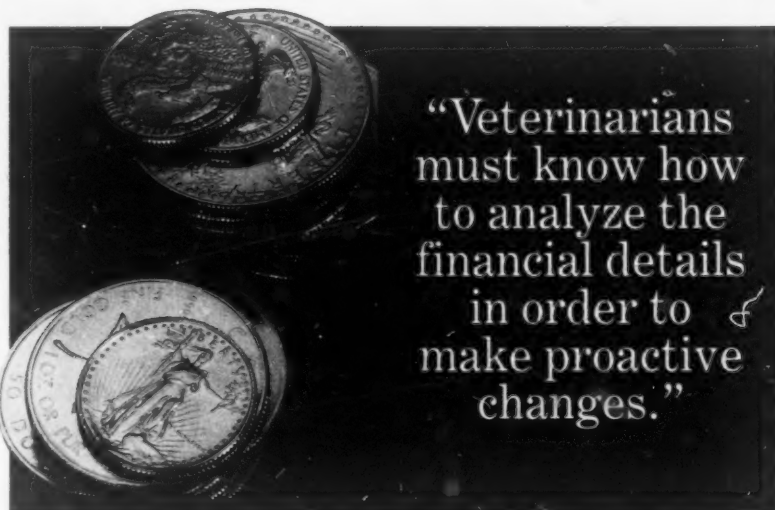
CAUTION: Federal law restricts this drug to use by or on the order of a licensed veterinarian.

HOW SUPPLIED

ALBON Tablets 0.125, 0.25 and 0.5 g sulfadimethoxine per tablet.

ALBON Oral Suspension-5%, each tsp (5 ml) contains 250 mg sulfadimethoxine in a custard-flavored carrier.

EARNINGS



The Southeast

Veterinarians in the Mid-South and South-Atlantic saw the worst declines: Gross in the Mid-South fell 26.9 percent and net 21.3 percent. The South-Atlantic suffered slightly less, with a gross that fell 20.1 percent from the previous year and a net that dropped 17.4 percent.

"These numbers don't surprise me," says Stanley B. Corey Jr., ChFC, of Great Falls Financial Services, registered investment advisors in Great Falls, Va. "The main problem we see is that veterinarians are at a loss about how to conduct their practices as a business. They just don't have the training. So many veterinarians have substantial losses but don't understand why."

Corey says that veterinarians must take the time to analyze what's going on in their practices—or have someone else do the analysis. "I've found the real need

is for doctors to find a good accountant or financial organization to work with," he says. "The need for practice management services is tremendous. Veterinarians don't have to be involved in monitoring every dime, but they need to know how to analyze the details so that they can make proactive changes."

What do veterinarians need to gauge? Six factors, Corey says: expenses, revenues, price list, number of transactions, average fee per transaction per client, and the average fee per transaction per veterinarian. "Most practitioners, I feel, do not understand how to properly price their services and products. I see their expenses going up dramatically, yet income isn't increasing proportionally because they are so hesitant to raise fees." Corey concedes that many veterinarians don't have the time or desire to analyze their practice finances, but in that case, he says,

they must at least recognize the need for assistance.

The Southwest

The figures aren't as gloomy in the Southwest: Gross is down 7.7 percent, but net has gone up 6.6 percent. "I haven't seen this situation in the practices I visit, but the explanation is most likely that there are more veterinarians per practice," says practice management consultant Dr. Ross Clark, of Tulsa, Okla. "There are more associates than there used to be, partly because the cost of building a practice is prohibitive. In a multi-doctor practice, even though the gross doesn't go up proportionally with the number of doctors, the overhead goes down."

Of this practice environment, Dr. Clark says that "your practice growth is limited unless you do quite a bit of innovative marketing procedures. Cross-marketing, for example, is effective. Many veterinarians are getting into ancillary services such as boarding and grooming. These services boost gross income, but your net income may not come in at as high a percentage.

"I think, however, that as a marketing tool to bring people in, the extra services are still worth it. If you find that your gross is declining, you must consider ways to make the clients already in your files more active, and to get more clients through the door. That doesn't mean taking business from other veterinarians, but you can take clients from other types of businesses."

Dr. Clark comments that the good fortune for mixed and large animal doctors may be due to the favorable market prices for cattle and hogs. "The farmers now have the money to spend on maintaining the good health of their animals," he says. "This year, there seems to be a lot more job opportu-

nities for mixed and large animal practitioners."

The Plains

Ted Beery agrees that times are good for mixed and large animal doctors. "The farm economy is healthy right now, and farmers are using veterinary services

ON THE BRIGHT SIDE

Perhaps the best news in this year's Continuing Survey is the across-the-board increase in average client transaction fees. The number of clients per practitioner held steady for small animal veterinarians, which may mean that these DVMs are taking the advice offered by many of our consultants: Concentrate on serving the clients you have now and increasing the number of times they visit each year. Let them know what services you offer and why complete, preventive care is in their pets' best interests.

Practice type	Number of active clients	Average client transaction
All DVM	2,019	\$40.80
	2,203	\$35.20
Small animal	3,000	\$40.90
	3,000	\$35.60
Mixed animal	1,951	\$35.80
	1,584	\$30.20
Large animal	403	\$35.70
	247	\$29.20
Equine	429	\$53.70
	350	\$52.50

1988

1987

All figures are medians

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Note To Veterinarians: Caution should be taken to minimize the exposure of hospital personnel to anesthetic gases and vapors. Evacuation systems and adequate ventilation should be used to remove waste gases.

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EARNINGS

more," says the practice management consultant at the University of Minnesota. "We have done quite a job of educating the farmer about the need for veterinary services. This type of marketing is paying off."

In the Plains States, the survey shows that gross is down 6.1 percent and net is up 13.7 percent. The average client transaction fee is up 25.4 percent, on the high end of the range that Beery sees among his large and mixed animal clients. Gross is up just slightly for the doctors Beery works with, but he says that he finds net up by as much as 20 percent.

"The mixed animal veterinarians are charging much more for their small animal, which is more service than product," he ex-

plains. "They're definitely more business-minded than last year." Beery adds that competition with feed stores has forced many mixed animal practitioners back into the dispensing business. "Many have decided to go whole hog on it, and they're competing quite well. For the most part, one-third of our food animal practitioners' gross is from dispensing. I don't see that they're buying product better, but they are carrying less inventory and turning it more often."

Beery also says that the large animal practitioners he works with are netting the most this year, and that their gross is about on par. "They are charging based on time rather than the specific service," he says. "Business is booming for food animal practi-

THE VIEW FROM THE TOP

A statistical study of veterinarians who report gross incomes of \$200,000 or more:

Number of active clients	3,000
Total average client transaction fee*	\$44.60
Number of client visits in a typical month	428.1
Number of hours worked per week	53.8
Net income	\$90,400

*Includes clinical procedures, drugs, and merchandised products.
All figures are medians.

tioners, but now the problem is not having enough graduates to keep up with the demand. The business is there for food animal practices if they can find the personnel. Those who find even a new graduate can jump their practice grosses \$90,000 the first year. The graduates are making \$35,000 right out of school."

The primary advice Beery offers for a successful practice: Keep up with the times. First, he says, keep on top of your fees. "Most of the ailing food and mixed animal

practitioners haven't kept pace with fees; those who have kept up haven't lost clients due to the increased charges."

Beery recommends that mixed animal and large animal practitioners rein in their inventory by turning it more often and reducing it substantially. He also recommends aggressively attacking accounts receivable. "Come up with a stiffer policy and put someone in your clinic in charge of enforcing it," he says.

Small animal doctors, Beery

says, should concentrate on fees. "Re-evaluate what *you're* charging, not what the competition is doing," he says. "Also remember that it's important for your staff to understand the philosophy behind your charges and where the profit comes from. Discuss your fees with them; if they agree and cooperate, you generally won't have a problem charging higher fees."

The Great Lakes

Cynthia Wutchiett, an Ohio-based CPA, says that large and mixed animal practitioners may be doing better because there are fewer of them now. "I know that in my region, more and more DVMs are staying away from large animal practice because it is so difficult to run efficiently," she says. Those that *do* remain, she adds, get a larger piece of the pie.

Small animal practitioners in the region, however, are left a little hungry. Median gross is down 4.5 percent, and net fell 6.8 percent. "My clients in the Midwest suffered last year because of the drought. For instance, in many practices, the flea services suffered," Wutchiett says.

She also says that the survey results may indicate that veterinarians aren't seeing as many clients due to increased competition. But more likely, she says, "the divergence between the profitable and the unprofitable is increasing. The practices that are profitable, that are management-oriented or are more competitive, are getting a larger share. The practices that are closing their eyes to

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HOW THIS YEAR'S SURVEY WAS CONDUCTED

Questionnaires for the 1989 VETERINARY ECONOMICS Continuing Survey were mailed last January to 6,000 veterinarians in private practice—a random sampling from the master list maintained by this magazine. By the mid-May cutoff date, 2,085, or 34.8 percent, of the veterinarians had responded. After we set aside returns with apparent discrepancies, incomplete responses, and those from veterinarians who had not been in practice throughout the year, our working sample consisted of 1,401 questionnaires. These were coded by VETERINARY ECONOMICS' research staff and tabulated by computer under the direction of Gene Richman of Crosstabs Inc., Syosset, N.Y.

REGION	Percent of	
	Statistical universe ¹	Survey sample
Northeast	16%	13%
South*	34	33
Midwest**	28	31
West	22	23

¹Includes Southwest, Mid-South, and South-Atlantic.

**Includes Plains States and Great Lakes.

¹Veterinary Medicine Publishing Co. mailing list, July 1989

AGE	Percent of survey sample
Under 35	37%
35-44	37
45-54	15
55-64	9
65 and over	2

SEX	Percent of survey sample
Male	80%
Female	20

YEARS IN PRACTICE	Percent of survey sample
0-1	—
1-2	10.3%
3-5	19.0
6-10	20.8
11-20	28.3
21-30	15.3
31-40	5.1
More than 40	1.2

the need for management, that are practicing the way they were 10 years ago, are losing out. This downward trend is just not what I've found working with my clients for the past seven or eight years. The largest income increases I've seen are for the small animal doctors I work with."

Wutchiett says that anyone experiencing a sharp drop in gross and/or net should take a very close look at what's happening. "One thing you should do is look at the number of active clients you have and the number of transactions you've had for the year," she says. "You should be seeing clients at least 2.5 times a year. If you're not, you're probably not doing enough internal marketing."

Wutchiett stresses that you must be as objective as possible and investigate what's happening in your environment. Look at all of your services and determine what percent of gross each pulls. Tie expenses for services to the income from each. Is there a profit? If not, why? Are you charging too little? Is the procedure too time-consuming? Or is a low-profit service useful because it brings other revenue into the practice?

"Things are very interrelated, not black and white," she says. "If your community is changing and you see fewer animals, you can't just market harder; you really have to consider changing your practice to adapt. You might need a structural change; rather than just putting up wallpaper, there are times when you just have to tear down walls." ■

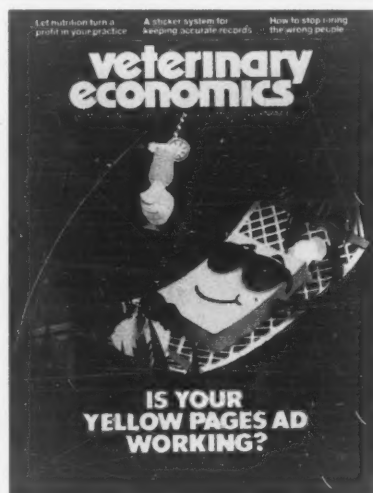
THE YELLOW PAGES REPORT: BATTLING THE PRESSURE TO BUY

The veterinarians who answered our poll on Yellow Pages advertising say that the ads may be basking in the sun, but it's the practitioners who take the heat. What motivates *you* to buy?

By John Lofflin

Call this story "Yellow Pages II: The Angst Continues." Hype it Hollywood-style with the statement: "Just when you thought it was safe to let their fingers do the walking..." Shoot it on location in Albuquerque, N.M., where full-page, three-color ads are common. And then let Albuquerque practitioner Dr. J. Howard Sherrod write the testimonial: "We were afraid they would swallow us up. We were stampeded into going full blast into Yellow Pages advertising."

You get the picture. In May, we published "Is Your Yellow Pages Ad Working?" with the cover shown here. We asked you and your colleagues to take a few minutes to fill out a poll, and your response was heavy and swift. As the survey forms streamed in, we discovered that most practitioners weren't content to provide us with simple 'yes' and 'no' answers. Your colleagues squeezed their comments—and their emotions—into every conceivable blank space on the survey form.



According to the responses, many of you apparently wouldn't mind if your Yellow Pages went surfing in shark-infested waters. Others of you say that Yellow Pages advertising works pretty darn hard for you, and that *your* ad deserves a week at the ocean. Here's a sample of the commentary we received, taken from the margins of your survey forms.

- An Indiana doctor writes: "The phone company screwed up and left us out of the directory. Still, our business is up 16 percent

this year over last year."

- A Texas small animal practitioner notes: "[The Yellow Pages] got our phone number wrong, but we are having a great year."

- An Arizona veterinarian points out that his ad is smaller than most—"... and is one of the few with taste."

- A New Mexico doctor writes, in block letters across the bottom of the form: "We feel that Yellow Pages advertising is somewhat of a rip-off. Veterinarians have been stampeded into this type of advertising by overzealous (and effective) Yellow Pages salesmen!"

- And from a Florida veterinarian: "It seems to me that the main people who benefit from larger ads are the phone-company folks. I've been told blatant lies by the solicitors in order to intimidate me into getting larger ads, but so far I have held firm and have not been sorry."

Succumbing to the sales pitch

Despite the grouching, veterinarians buy a lot of Yellow Pages space. Of the 241 respondents, only two say they don't use the Yellow Pages at all. About 46 per-

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cent have only a line ad, and 53.5 percent buy a line listing and a display ad. (See the chart on page 62 for the percentage responses to each question.)

Problems aside, most of the respondents are opting for stability: Only 18.4 percent feel pressure to increase or decrease the size of their listings, and just 16.5 percent increased the size of their ads last year. Only 3.4 percent plan to increase their ad size next year.

Many respondents, however, expressed anxiety over the pressure exerted by Yellow Pages salespeople. "My story sounds very similar to those described in your article," says small animal practitioner Dr. Stephen J. Hebert of Belle Chasse, La. "I was the first to go with a display ad in

my local Yellow Pages directory. The first year they offered this great, half-price deal. The second year it went to full price. The third year they offered red ink for free. The fourth year, to continue red in the ad, the price doubled; so the fourth year my ad went back to black ink.

"Two other clinics followed with display ads after I did. This year is their red-ink-free year. I anticipate these ads will be black next year. I have seen no difference in response whether black or red ink is used in the ad. I know my display ad has helped, yet if costs escalate, I'll drop it and go back to the business-card listing I had before." Dr. Hebert spends \$2,628 a year in the Yellow Pages—90 percent of his marketing budget

—and estimates he gets 35 percent of his new clients from the ad. The response, he says, is worth the expense.

In fact, Dr. Hebert says that his Yellow Pages ad pays for itself on Saturdays alone: "I'm the only one in this area open on Saturdays, and I say so in the ad. On Saturdays, it seems like everyone comes from the Yellow Pages." But, he adds, "I don't care what they tell you. The size of the ad and the color of the ink don't get anybody through the door."

A Gainesville, Fla., small animal practitioner, Dr. Deborah Kemmerer, heard a different sales pitch. "What they do is call and tell you that so-and-so clinic has taken out a huge color ad, and then they describe it," she says. "Then they say, 'Don't you want to be competitive?' On one occasion, they named the other practitioner and I called him. He said 'Hell, no, I didn't change my ad.'"

Dr. Kemmerer says her county veterinary association has agreed to stay within certain limits in Yellow Pages advertising; only a couple of practitioners have broken those informal guidelines. What happened to them? "Apparently nothing," she says.

Louis S. Graham, DVM, of Hendersonville, Tenn., says that if practitioners would just communicate better with each other, they could put an end to the increasing cost of Yellow Pages advertising. "The salesmen tell you, 'This guy's gonna have this size ad, and somebody else bought a quarter-page ad,'" he says. "Then we don't communicate with those other veterinarians. One time, we actually did call each other and agreed that we'd stop increasing our ads, and it worked." ►

IT'S ALL IN THE ASKING

In our May article on Yellow Pages advertising, management consultant Bob Levoy made the following statement:

"I meet practitioners who swear by Yellow Pages advertising, but their statistics may be misleading. . . . We asked some of the practices we consult with to screen their next 50 to 100 clients and ask, 'How did you hear about us?' That's how a lot of practices get data that is misleading. The clients answer 'Yellow Pages' because that's where they got the address and the phone number. Then we changed the question to, 'How did you *first* hear of us?' When we added the word 'first,' the number who said 'Yellow Pages' dropped considerably."

In the survey we conducted in the same issue, we asked practitioners to give us the exact wording of the question they ask to track Yellow Pages response. Of the 135 doctors who do track responses, only 13 ask, "Where did you *first* hear of us?" The others ask the type of question that Levoy says can skew the results; the top example: "How did you hear about us?"

Before you pass judgement on the effectiveness of your ad, you might experiment with Levoy's suggested question. Does it make a difference in your response? If it does, it may be time to rethink your advertising strategy.

THE RESULTS ARE IN

We received more than 240 responses to our Yellow Pages poll, which appeared in the May issue. A summary of the responses is provided below, with the total number of veterinarians responding to each question indicated in parentheses.

	Percent response		Percent response
1. Is your practice listed in the Yellow Pages? (241)		8. Do you track the response to your Yellow Pages advertising? (239)	
Yes, line listing only	45.7%	Yes	56.5%
Yes, line listing and boxed ad	53.5	No	43.5
No	0.8	8a. If yes, how? (135)	
2. How would you compare your listing to that of other veterinarians in your phone book? (239)		Client information forms	51.7
Smaller than most	36.0	Client questionnaires	19.1
About the same as most	51.9	Informal conversations	23.6
Larger than most	12.1	Other	5.6
3. Do you feel pressure from your colleagues to increase or decrease the size of your ad? (239)		9. How, exactly, do you phrase the question you ask?	
Yes	18.4	For a summary of the responses, see the box on page 60.	
No	81.6	10. What percentage of your clients say they come to you through the Yellow Pages? (194)	
3a. If yes, do you feel pressure to: (41)		0-30%	71.1
Increase the size of your ad?	70.7	31-60%	11.3
Decrease the size of your ad?	29.3	61-100%	3.1
4. Have you increased the size of your ad in the last year? (236)		Not sure	14.5
Yes	16.5	11. Do you think that Yellow Pages ads are worth the money you spend? (227)	
No	83.5	Yes	44.9
4a. If yes, do you think the change was worth the added expense? (30)		No	55.1
Yes	26.7	12. How would you characterize your practice? (241)	
No	73.3	Urban	22.4
5. Do you plan to increase the size of your ad? (232)		Suburban	61.4
Yes	3.4	Rural	16.2
No	96.6	13. How many active clients do you have? (221)	
6. How much money do you spend per year on Yellow Pages advertising? (237)		Less than 1,000	12.7
Less than \$500	38.8	1,000-5,000	66.5
\$500-\$999	24.5	5,000-10,000	13.1
\$1,000-\$5,000	30.8	10,000-30,000	3.6
more than \$5,000	5.9	Not sure	4.1
7. What percentage of your marketing budget do you spend on Yellow Pages each year? (215)		14. Practice type: (241)	
0-25%	28.8	Small	72.4
26-50%	20.5	Large	5.6
51-75%	10.7	Mixed	21.6
76-100%	32.1	Equine	0.4
Not sure	7.9		

Bombarded with books

The poll responses also indicate that practitioners are upset by the proliferation of Yellow Pages books in their areas, a situation that causes some to stretch the limits of their marketing budgets. "Multiple communities with multiple directories are a rip-off," writes a Texas practitioner who spends between \$1,000 and \$5,000 to list his 4,000-client, suburban small animal clinic in five different directories.

"Yipes," writes a Michigan doctor with 2,000 active clients. "My clinic is in a rural area just past the suburbs of a small city. It's located on the county line, and there are a few nearby localities

with their own directories. There has been a dramatic increase in the number of phone books available. Each publisher, of course, claims that his book is used more than his competitors' books. This is tough to assess. My concern is that I must get at least a basic ad in each book." This practitioner says that he spends between \$500 and \$999 annually on his Yellow Pages listings, or 90 percent of his marketing budget.

Do they work?

Many of the veterinarians who responded got out their red, felt-tip pens to respond to the question of efficacy: 55 percent say their Yellow Pages ad isn't worth the cost,

while 45 percent say it is. When asked how many of their clients come to them directly via the Yellow Pages, the respondents offered numbers as high as 96 percent and as low as 5 percent.

Some respondents gave us a detailed breakdown; a DVM in California reports that 5 percent of his 3,000 clients say they saw his Yellow Pages ad, 10 percent say they saw his sign, and 85 percent are referrals. A smaller practice in Georgia reports 31 percent referrals, 22 percent Yellow Pages response, and 10 percent sign response.

Paying the price

What do veterinarians spend on Yellow Pages advertising? One-

If You've Only Used Tresaderm For Otitis Externa, You've Only Scratched The Surface.

The scaly, circular patches. The broken hairs. You know RINGWORM (MYCOTIC INFECTIONS) when you see it. Now you know to reach for TRESADERM® (thiabendazole-dexamethasone-neomycin sulfate). TRESADERM, with its exclusive antifungal agent, thiabendazole, is 99% effective against the most common fungal infections, including *Microsporum* and *Trichophyton*.

When short-haired breeds and young pets fall prey to FOCAL PYODERMA, it's TRESADERM to the rescue. The neomycin sulfate in TRESADERM works fast to kill the bacteria that cause this oozing, pustular skin infection while the dexamethasone reduces inflammation and eases pain and discomfort.

He licks and bites that one certain spot until he creates an angry, raw lesion ranging in size from a nickel to a small "pancake." It's called a HOT SPOT. But triple-action TRESADERM cools it fast by soothing the inflammation, then fights secondary infections with its antibacterial and antifungal ingredients.



Flea bites are aggravating enough. But when an animal licks and scratches until he creates red, itchy wounds and hair loss, he's developed another problem known as FLEA BITE DERMATITIS. Fortunately, the dexamethasone in TRESADERM is one of the fastest-acting corticosteroids around. It stops the self-mutilation cycle by stopping the itching, allowing the area to heal. (But remember, the only way to stop the root of the problem is to follow up with a thorough flea control program.)

TRESADERM is ideal for dispensing, too. Its clear, non-greasy, non-staining formula doesn't make the mess creams and ointments do. And the convenient squeeze bottle lets you control the dosage, without having to massage the medicine into sensitive areas. No medicine cabinet should be without it. What? You're out of TRESADERM? Then don't wait - contact your distributor today!



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TRESADERM. It's Your Solution For Dermatoses.

See brief summary on page 80

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Respondents got out their red pens to answer the question of efficacy: 55 percent say their ad isn't worth the cost—45 percent say it is.

third of the practitioners reported spending more than \$1,000 on Yellow Pages advertising annually. And almost 6 percent spend more than \$5,000 a year.

An Illinois practitioner tells us that, although his ad is larger than most area veterinarians', he has decreased its size each of the past two years. He maintains that his suburban small animal practice "has continued the same growth" pattern. And he says that he doesn't think his \$1,000 to \$5,000 ad is worth the money, even though he estimates it brings in 20 percent of his clients.

An Indiana mixed animal practitioner, who spends about \$1,400 a year on his ad, disagrees. "We list more services and stress quality," he says of an improved ad in this year's book. He estimates that 30 percent of his clientele are attracted by the ad.

One Florida practitioner claims to have struck gold with his ad: He spends just 1 percent of his marketing budget—less than \$500—on a smaller-than-most line listing; yet he says he draws 71 percent of his clients from the ad. He doesn't intend to decrease or increase it next year.

But not everyone has such luck. One small animal respondent spends one-third of his marketing budget—between \$500 and

\$999—on an in-line listing, but estimates less than 1 percent of his clients are drawn by the ad.

Somewhere in the middle is a 3,700-client, small animal practice in Tennessee. The practitioner says she figures that 11 percent of her clients are drawn by an ad that costs less than \$500 and takes up just 20 percent of her advertising budget.

Another veterinarian cites the comments made by management consultant Bob Levoy in the May article: "Bob Levoy is correct," he writes. "Yellow Pages advertising is not cost effective"—with "not" heavily underscored. To the question, "Do you think Yellow Pages ads are worth the money you spend, this same practitioner wrote "no-no-no-no" in the margin. Yet he spends his entire marketing budget in the Yellow Pages, between \$1,000 and \$5,000 annually. He does note that he plans to decrease that expenditure this year.

For some, they do seem to work

Not every comment we received was negative. A Colorado small animal practitioner sent us numbers to back up his Yellow Pages accolades. He says that last May—a typical month for his practice—he grossed \$13,000 and saw 34 new clients. More than

half told him they found his clinic through the Yellow Pages. These clients, he says, paid \$1,525—67 percent of the month's new-client income. In April, he notes, 62 percent of his new clients came from the Yellow Pages. "With a monthly expense of \$250 [for the Yellow Pages ad] and a monthly new-client income of \$1,500 to \$2,000, our Yellow Pages ad is very important," he writes.

A Georgia small animal practitioner with 8,000 clients writes, "Our clients move into or out of this area once every three years. This is a very new, burgeoning high-growth area, and our Yellow Pages ad works well for us."

Like others who responded to our poll, this practitioner advertises under several categories: Animal Hospital, Emergency Veterinary Services, Veterinarians, Kennels, Pet Shops, Pet Grooming, Tropical Fish, and Pet Supplies & Foods. The bill: \$18,000 for two practice locations.

"I figure we do about \$160,000 gross due to our \$18,000 Yellow Pages budget that we would not otherwise see," he explains. "It's an investment of 2 percent of our gross to increase our gross 25 percent. Not bad. Plus we bring in lots of people for ancillary services who have not used veterinary services in the past, a benefit for our profession."

Perhaps the most colorful and telling of the responses we received came from a rural mixed animal practitioner in Ohio who spends less than \$500 on his line listing. In the margin of his survey he scratched, "It's all bull. Damn, I hate modern veterinary practice. Oh for the romance of the 1950s." ■